Deloitte.

Milestones on the journey.

Deloitte Touche Tohmatsu Worldwide Member Firms 2007 Review

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Front cover
The journey for Deloitte Canada's Vancouver office rowing team culminated this year when the team made the finals in the 2007 Corporate Rowing Challenge. Pictured here in May 2007 practicing on the Fraser River at dusk are, left to right, Office Managing Partner Cal Buss, Hamlet Abnousi, Kevin Leung, and Gabriela Oteiza.

Contributed by Alex Buss, Deloitte Canada

A letter to stakeholders from CEO Jim Quigley

Delivering the promise

Deloitte's journey to become the standard of excellence remains our vision. We are gathering strength, winning recognition, and building momentum.

Deloitte member firms achieved strong performance in FY07. With aggregate member firm revenue increasing 15.5 percent to US$23.1 billion and earnings up 19 percent, our member firms delivered the fifth consecutive year of double-digit growth. This strength was consistently reflected in the results of every region and every line of business. This financial success creates the flexibility for Deloitte to invest in its continued commitment to professional excellence, develop new service offerings, and attract and retain the best talent in the marketplace.

Clients continue to recognize Deloitte's role in improving their performance. Our client relationships include leaders in nearly every industry and reach deep into the middle market. As you turn the pages of this annual review, you will meet some of Deloitte's clients and people. You will hear directly from them how working with Deloitte has made a measurable difference in their organizations.

Deloitte is building momentum by enhancing its capacity to serve. Our ability to team across borders is becoming more important and will continue to shape our value proposition. Today, the Deloitte organization comprises nearly 150,000 people in 142 countries. These "local roots" with a deep knowledge of unique cultures enable us to provide value where clients need it the most. Every member firm plays an important role in strengthening our global network. Together, we are helping clients solve their most complex problems, manage their growth, and broaden their presence in the local and global economy.

With these successes, the people in the Deloitte member firms have much to celebrate. At the Deloitte Touche Tohmatsu (DTT) Annual World Meeting in Berlin, we commemorated the hundredth anniversary of the German member firm. We also celebrated the careers of DTT's retiring CEO and Chairman for providing the leadership that produced Deloitte's strong performance. On behalf of all Deloitte people, I offer my deep gratitude to Bill Parrett and Piet Hoogendoorn, both of whom reached mandatory retirement age and retired following successful terms as CEO and Chairman of the DTT Board, respectively.

As the torch of leadership passed to John Connolly as the Chairman of the DTT Board, to me as CEO, the new executive team, and the Board of Directors, we remain committed to our Standard of Excellence vision. Deloitte will continue the journey to become the first choice of the most sought-after clients and talent. Member firms strive to deliver consistent outstanding service to our clients and opportunities for our people by building on our strengths, adapting to market realities, and maintaining a commitment to innovative talent initiatives.

Deloitte's global reach is helping clients compete in a world of increasing economic interdependence, heightened stakeholder expectations, and new market entrants. Our organization's "global connections" permit member firms to provide value to clients across borders. We are investing and building strength in high-growth emerging markets, including Brazil, Russia, India, and China. As clients increase their participation in these markets, Deloitte is well positioned to help them succeed.

Many companies say that people are their greatest assets. But Deloitte delivers on the promise by continuously investing in its people's development, enriching their career experience, and enhancing the Deloitte culture. We bring innovations to the talent marketplace to meet the demanding expectations of our diverse team. Our efforts have resulted in improved retention and consistent recognition as a "best place to work" in many markets. We are committed to making Deloitte a best place to work in *all* our markets.

Although Deloitte has many reasons for optimism, we understand that uncertainties abound. As I write this message, the ripple effect of the credit crunch in the U.S. mortgage market is being debated daily. Record global energy prices and instability in parts of the Middle East and Africa are creating their own uncertainties. No one can reliably predict how these or other risks will affect our future regulatory, business, or social environments.

Meanwhile, the spotlight on our profession has intensified in recent years, particularly around the audit business. Regulators are sharpening their focus on quality and putting more emphasis on effective governance. Internally, Deloitte actively addresses these

important concerns through strict adherence to our high quality audit standards. At the same time, we continue to play a leadership role to advance the global regulatory dialogue. Helping to create effective solutions to issues such as liability reform and fraud detection is vital to the future of both Deloitte and our profession.

As we navigate these macroeconomic uncertainties and regulatory matters, I firmly believe that we will continue forward in our journey; change is a constant. And in addition to being a source of risk, change creates opportunity. Through Deloitte's 150 years, the organization has endured multiple periods of global economic disruptions, social unrest, and considerable shifts in the operating environment. Deloitte clients have experienced these same realities. The reason for our endurance is in part our ability to adapt and help clients succeed in a dynamic environment.

Our business model, with deep competencies in audit, tax, consulting, and financial advisory services, uniquely positions Deloitte to deliver superior value and assist clients in managing change. Member firms are assisting companies to comply with new regulatory requirements so that they can successfully participate in the public capital markets. We are helping leaders bear the responsibilities of stewardship so that they can earn the trust granted to them by investors. Deloitte is integrating clients' technology, processes, and human capital so that they can compete more effectively.

As much as Deloitte clients can count on our capabilities, they can also count on our unyielding principles. We maintain the objectivity and public trust that is the hallmark of the Deloitte brand. In the fog of shifting realities, Deloitte will never compromise its integrity or its character. The value Deloitte member firms provide clients goes beyond the financials. We contribute to the stability of capital markets and act with a duty to build investor confidence and public trust. It is our duty to protect the promise of integrity embedded in the Deloitte brand.

Guided by our principles, strengthened by our performance, recognized by our clients, and supported by our people, the member firms of Deloitte Touche Tohmatsu are on their way to becoming the Standard of Excellence. Thank you for joining us on this exciting journey.

James H. Quigley
Chief Executive Officer
Deloitte Touche Tohmatsu

A letter to stakeholders from Global Chairman John Connolly

It's always a challenge to get the right message into these reports: one which is succinct, interesting, and relevant to all our stakeholders. I will, however, start by expressing my delight to have the opportunity to write to all stakeholders in this first annual review since I became Chairman of the DTT Board. As you read in the preceding message from Jim Quigley, newly appointed CEO, the Deloitte member firms experienced growth of over 15 percent last year. The member firms and the Deloitte global organisation are in great shape, and the people of Deloitte around the world should be proud—proud of their progress and proud of their growing contribution to the business world and the wider community.

First, a few words about the role and plans of the Board. The Board has many new representatives from member firms around the world, and collectively the group is committed to the long-term sustainable success of the Deloitte organisation and its member firms. The Board's total focus is on the quality and value of Deloitte's contribution viewed from the perspective of all stakeholders: DTT, the member firms, Deloitte people, clients, governments, the markets, regulators, and the wider community.

The Board, the Deloitte global organisation, and all member firms continue to maintain a commitment to the highest standards of governance, consistent with the increasing emphasis placed on this area across the business world. There is an overview of governance structure and activities in the "Aiming for operational excellence" section of this review (see pages 57–63), and I would like to highlight some of the Board's primary governance activities:

- As DTT's highest global governing body, the Board is responsible for addressing the organisation's most important governance issues.
- The Board approves the strategy and plans of DTT, monitors ethical conduct, and oversees DTT management processes.
- A vital role is the promotion in each member firm of the core values of the Deloitte organisation including transparency and accountability.

The Board has a number of key committees to support its activities, including the Governance Committee, which focuses on the most strategic issues, and committees for Risk Management, Audit and Finance, Membership Affairs, and CEO Evaluation and Compensation.

Achieving and maintaining the highest standards of corporate governance provide the fundamental foundation on which the Deloitte member firms are able to achieve their bold ambitions.

Corporate responsibility, broadly defined, has become one of the Board's core priorities. Here we will engage the wider agenda, including climate change, in addition to community investment and oversight of operational sustainability in Deloitte member firms.

Now, turning to external developments and the impact of these on clients of our member firms. The recent turbulence in financial markets has to be the starting point. This has shaken investors and created new uncertainties. Stress spread from the U.S. subprime mortgage market across sectors and countries. The authorities have responded forcefully. In the United States, interest rates have been cut and many central banks have provided liquidity to the banking system. A repricing of risk has been under way. The duration of this process is unclear, but ultimately it points to a more restricted supply of credit, which will certainly have an impact on the number of very large highly leveraged transactions and other financing projects.

Events in financial markets clearly have the capacity to change the outlook for global growth. The world economy has been extremely strong over the last few years, and recently there has been less reliance on the United States as the engine of growth, with much of the momentum coming from emerging economies, Japan, and Europe. Looking forward, we need to see how the interaction of credit market events and central bank responses affect that picture.

Regardless of the environment complexities, the Deloitte challenge is to excel in delivering exceptional service to member firm clients, having regard to the wider stakeholder interest. There continues to be a number of major drivers affecting business and topping the clients' agendas, and in all these areas, Deloitte member firms serve clients with excellence.

Governance, risk, and compliance: After the deluge of regulation comes the reality of absorbing and operating in a more stringent compliance environment. For those organisations getting this right, there will be opportunity to gain sustained competitive

advantage, while most importantly meeting the demands of all stakeholders.

Optimising operational performance: Increased focus on operational excellence driven by investor demands and changing business models in light of globalisation and the perceived benefits of offshoring.

Globalisation: There are new and greater interdependencies between economies and businesses, accompanied by the threat of newly emerging competitors and the opportunity of new markets.

M&A: Transactions' volumes and values reached new record levels; the significant impact of private equity particularly in larger transactions; cross-border deals becoming an even greater share of deal activity; the shifting balance of global capital markets to London. And now the impact of the changed environment.

Corporate responsibility: Progressive organisations recognising that their stakeholders demand increasing responsibility around the whole corporate responsibility agenda, particularly climate change, and the significance of compliance with the highest ethical standards.

Talent agenda: Releasing the talent to capture competitive advantage, emerging talent pools in new territories, meeting the demands of the new generation of younger people.

Finally, I would like to add my thanks to Piet Hoogendoorn and Bill Parrett, the outgoing Chairman and CEO of DTT, for their great contributions to Deloitte. I would also like to thank all Deloitte people in the member firms around the world and in DTT for their continuing massive contributions to clients and to the organisation. Deloitte people are exceptional, with big aspirations, and the challenge for DTT and the member firm leaderships is to meet those ambitions. There is a tremendous platform in place to continue progress in 2008 and beyond, and I look forward to this period with confidence.

John P. Connolly
Chairman of the Board
Deloitte Touche Tohmatsu

Reflections

This past June, Deloitte Touche Tohmatsu (DTT) CEO Bill Parrett and DTT Chairman Piet Hoogendoorn completed their terms in their respective positions. Parrett has been with Deloitte for 40 years. Hoogendoorn joined in 1988 through a merger with his firm in the Netherlands. Here they share thoughts about the profession and their years with Deloitte.

How has the business changed since you joined Deloitte?
Piet Hoogendoorn: It has changed dramatically. When I joined, it was a local business, a country business. Deloitte member firms had limited international experience, few international clients. And communication was by telephone and mail.

Bill Parrett: It's unbelievable what technology has done for our profession and for expanding business. But regulation and oversight have also changed. What once was a largely self-regulated business is now subject to public scrutiny we never dreamed of when I started in 1967.

Globalization really took off during both your tenures—how has it changed the profession?
PH: In the old days, the Big Eight were a loose affiliation of local firms—every country had its own rules, organization, and name. A large reference book was the only evidence of an international network. Now Deloitte member firms *are* global businesses, under one brand, with shared methodologies and controls. Globalization has brought the organization together.

BP: That's right—because it has forced us to serve clients on a global rather than just an international basis. The difference is significant. Global companies are fully integrated in all operational aspects, whereas international companies tend to produce in one place and sell in others. As Deloitte clients went global, we did too—and we did so with great success. Globalization has brought challenges, including cross-border delivery of services and complex litigation. But it has also strengthened Deloitte, thanks to the diverse cultures that work together.

Do you see more industry specialization going forward?
PH: That's the trend. When I started, you were an auditor or a tax expert or whatever your function was. Now clients expect industry expertise. To meet that need, Deloitte must enhance its industry organization and attract more professionals who "grew up" in a particular industry.

BP: Industry specialization is here to stay—and if Deloitte wants to stay competitive, we have to anticipate industry needs. In fact, I think in 10 or 15 years, our organization and many more will be set up according to industry rather than function alone.

With the rise of China and India, how have emerging markets shaped the nature of the profession?
PH: They're a continuous challenge in our profession, emerging markets. Before China and India, we had it in Europe—in Eastern Europe and the Commonwealth of Independent States (CIS). It is a challenge to take a business that is mature in much of the world and transplant it into a large country or market. It's a matter of education and perseverance to develop that new market's potential.

BP: Deloitte has been investing in emerging markets for decades. Its most significant investment over the past four years has been China, followed by India, and there have already been superior results that in time will benefit every member firm. Of course, each market has its special considerations and benefits, and each will mature differently. So it is important to maintain a sharp focus on those markets in the years ahead.

Left to right: William G. Parrett and Piet Hoogendoorn

What would you say is your greatest contribution to Deloitte?
PH: Over the past 10 years, scandals in the business world made it apparent that good corporate governance can help a company become more stable, become more balanced in dealing with issues before there is a crisis situation. My main contribution to Deloitte during this time was to help organize strong corporate governance structures—and I feel we have succeeded. I have worked for and overseen the DTT Board for eight years now, and I can say with confidence that Deloitte's governance structures are sound and ready to meet whatever challenges may come.

BP: Naturally, my partner, Piet, is being modest. Besides strengthening governance, he was the architect and a founding father of the great firm in the Netherlands. For me, several things stand out. In the United States, Deloitte reorganized the business structure and sharpened the focus on quality, clients, and markets, while creating a business development program unparalleled in professional services. Globally, DTT launched a unified Deloitte brand, enhanced industry focus, and crafted a new strategy combined with scenario planning. Additionally, DTT now has a single vision for all member firms that has promoted the building of trust. As I pass the baton, today we are a strong, cohesive group under one brand, positioned to be the standard of excellence and the leading firm.

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IMPACT Day
2006

In the Patagonia region of Argentina, a Deloitte climber attacks the glacier at the foot of Cerro Torre.
Contributed by José María Estébanez, Deloitte Spain

Milestones on the journey

The journey continues. As Deloitte moves forward in pursuit of its vision—to be the standard of excellence, with a focus on being the first choice for both the most sought-after clients and talent—it has achieved many milestones along the way.

Why are milestones important? In short, because progress means nothing without measurement along the way. How do you know how far you have come—and how far you have to go—without marking your way?

Milestones for Deloitte member firms in FY07 have taken many forms, from milestones in the development of their people to work done with clients. All these achievements are helping move forward the Deloitte vision—to be the standard of excellence. In this vision are two important goals: to be the first choice for both the most sought-after clients and talent.

Helping people grow both personally and professionally is a continuing focus. New learning courses allow people to keep up with the changing marketplace, and ongoing coaching programs support career growth.

Also important is helping people reach personal milestones, as a well-rounded professional is a member firm's best asset. Maintaining balance between work and the rest of life is no easy feat, but member firm professionals, with support from their firm, have reached many milestones in their lives and careers, from running a first marathon to helping a local entrepreneur with advice that will get her business off the ground.

Deloitte member firms around the world have helped clients reach milestones in many ways—from groundbreaking IPOs and mergers and acquisitions to meeting the needs of the ever-changing regulatory landscape.

For DTT, priorities in 2007 included assisting member firms to connect, share best practices, network to serve clients more effectively, and in some cases help people in member firms move to a different country to experience life in a new culture, whether it be across the region or across the globe.

At the root of this success is commitment to the DTT Shared Values, which unite the nearly 150,000 people of the Deloitte member firms:

- Integrity
- Outstanding value to markets and clients
- Commitment to each other
- Strength from cultural diversity.

These Shared Values have helped people in 2007 maintain a focus on what is important while reaching for their personal and professional milestones, both large and small.

Deloitte Argentina flies the Deloitte flag as it takes part in a team-building race during "The Challenge of Leading Teams," a navy coaching project held at the Puerto Madero Yacht Club in Buenos Aires in March 2007.

Contributed by Bernardo Deluchi Levene, Deloitte Argentina

Charlie Rose, left, of the Public Broadcasting System, moderates a panel discussion at the Global Technology, Media & Telecommunications Industry Group's Disruptions event in San Francisco with Hank Barry, center, venture capitalist; and Michael Fuchs, former Chairman and CEO of HBO.

Delivering value to clients

Clients are the bedrock of the Deloitte enterprise. The organization stands or falls on the excellence of the service it delivers. As word of this world-class service spreads, Deloitte can realize its vision of being the first choice for the most sought-after clients.

But in such a competitive market, the definition of excellence must be continually pushed to new and more exacting levels. "Quality, expertise, and effectiveness are now the price of entry," says Steve Almond, DTT, Deputy CEO, Clients. "To stand out requires something more." To meet this challenge, Deloitte is pioneering a new benchmark in service excellence.

The essence of this program is to codify the values and culture of the organization into a service ethos that can be delivered systematically and consistently to member firm clients around the world. "It's about taking what has always been inherent in the organization—what we think makes Deloitte distinctive—and making sure it translates into significant and demonstrable value for our clients," says Almond. "Clients tell us that what they value most is service responsiveness. Broadly defined, it means having the right team, equipped with deep industry expertise, delivering real insight into the client's own business and business issues."

No business today can ignore the extraordinary possibilities that emerging markets hold, but few businesses have the experience that navigating these markets so often requires. The breadth of the Deloitte network and its deep roots in markets such as China, India, and Russia, developed over many years of investment, are vital assets. This experience, supplemented by detailed research and analysis, gives the organization an especially rich insight into the realities of succeeding in dynamic and often volatile environments. "It's part of the organization's acutely risk-aware culture that Deloitte understands that with every opportunity there are pitfalls," says Almond. "Guiding clients past those pitfalls is one of the most important ways to meet their needs."

Long Yongtu

Secretary General of the Boao Forum for Asia, on China's growth and future.

China's unprecedented growth continues to affect the entire global marketplace. In a discussion with Long Yongtu, he talks about the tremendous milestones in China's recent history.

" Some fear globalization, but in China we realize that globalization is a development necessity and an opportunity."

At a Deloitte business forum held in Shanghai in March 2007, Long Yongtu talks about China's economy and the government's emphasis on offering competition and equal protection for all businesses, domestic and international.

"China and the rest of the world are all sailing on the same ship. When everyone is working to keep that ship on course, only then can we be safe."

Long Yongtu
Secretary General of the Boao Forum for Asia

"Over the last 30 years, China's economy has developed at a rate never seen before. The question is, 'Can such development continue?' To answer that question, we must look at the forces that have driven this growth.

"First is the reform policy. When it was proposed, everything in China was state-owned. China's people were suffering. When I was a student, I frequently did not have enough food to fill my belly. Today, under a market economy, privately owned enterprises contribute more than 50 percent of China's GDP. That may increase to 75 percent in 10 years.

"Another force propelling China's growth is globalization. Some fear globalization, but in China we realize that globalization is a development necessity and an opportunity.

"One important milestone in China's growth was entrance into the World Trade Organization (WTO). It strengthened the reform effort and raised the importance of the Chinese market throughout the world. WTO exposed China to new ideas, leading to the newly approved 'reality of laws,' acknowledging the need to insure the protection of state, collective, and private property.

"We realize that a wider opening to the outside world creates a more secure nation. China and the rest of the world are all sailing on the same ship. When everyone is working to keep that ship on course, only then can we be safe."

Andrew Bonfield, CFO, Bristol-Myers Squibb, right, shows the new, fully automated cell culture plating research process to John Rhodes, Deloitte U.S. Lead Client Service Partner for Bristol-Myers Squibb, at one of the labs on Bristol-Myers Squibb's Lawrenceville, New Jersey, campus.

Bristol-Myers Squibb

What is it like to engage a new outside auditor? It's starting over, one transaction at a time. It subjects the company being audited to a potential stream of questions and interruptions, spanning weeks, months, and, sometimes, even longer. Is it always that way? Read on for a look inside the process. …

To extend and enhance human life—that is the mission of Bristol-Myers Squibb. There's a lot at stake and much to do, such as conducting research, developing the product, and launching medicines that help patients prevail over serious disease.

Then there's the business side of this global pharmaceutical company, including corporate governance, which in the view of the Bristol-Myers Squibb audit committee required reevaluating the organization's audit relationship. In the end, Deloitte United States emerged as the new auditor in 2006.

"As CFO, I can tell you that we tend to resist changing auditors," explains Andrew Bonfield, Bristol-Myers Squibb. "It means countless disruptions and high risk. The new audit team starts by going over historical transactions. That usually triggers debates focused on the past rather than our areas of concern—the present and future."

John Rhodes, Deloitte U.S. Lead Client Service Partner for Bristol-Myers Squibb, understood. "Replacing an established auditor is not on a financial executive's wish list. However, the Deloitte U.S. firm had done a critical mass of work for this client. During 2003–2005, we completed over 40 projects, including corporate governance and tax consulting. Much of our project work was coming to a natural conclusion, and the Bristol-Myers Squibb team decided that the audit was the right strategic fit. With the commitment of U.S. firm leadership, we pursued this opportunity."

The 2007 books have closed on the watershed audit. "We were pleased," notes Bonfield. "The auditors were proactive. They thought through matters and offered solutions based on knowledge of the company and industry. We have a similar way of engaging, which resulted in the right outcome—a positive audit opinion and set of financial statements that reflect the reality of our business performance."

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Andrew Bonfield
CFO, Bristol-Myers Squibb

Exploring the future of the life sciences and health care industry

Over the next decade, the life sciences industries will likely be faced with sweeping demographic shifts, increasing globalization, mounting health care costs, the rise of emerging markets, and accelerating convergence of industry sectors. These changes will present both challenges and opportunities.

The future of the life sciences industries: strategies for success in 2015, produced in collaboration between DTT and the Economist Intelligence Unit, examines these issues, as well as industry executives' top priorities and the strategies they expect to be using to achieve success. Key findings from the report include:

- Companies do not think they are proficient in the activities they judge to be critical in 2015.
- Emerging markets will play a major part in the industries' future.
- Traditional sales and marketing approaches will need to be better focused on the consumer.
- Life sciences industries will continue to converge.
- Significant revenue growth is unlikely to be achieved organically, mergers and acquisitions will continue, and partnerships and alliances will emerge.

For more information or to download the report, visit **www.deloitte.com/lifesciencessurvey.**

Left to right: David Anderson, Vice President, Global Brand Innovation, InterContinental Hotels & Resorts; Mike Tansey, Director, Consulting, Deloitte United Kingdom; and Robert Bryant, Lead Consulting Service Partner for InterContinental Hotels Group, Deloitte United Kingdom, discuss the company's landmark brand program at the InterContinental London Park Lane hotel.

InterContinental Hotels Group plc

What makes a great hotel? For InterContinental Hotels & Resorts, the luxury brand of InterContinental Hotels Group (IHG), the world's largest hotel network, the answer was easy: it's the guest experience. But as InterContinental reevaluated its global brand, it began to realize that today's travelers are looking for a new kind of experience.

In the words of David Anderson, Vice President, Global Brand Innovation, InterContinental Hotels & Resorts, "For our guests, it's the experience beyond the hotel that really matters now. Travel is about connecting in unique and authentic ways with the places they visit. A great hotel is one that can deliver those experiences."

But developing the vision was one thing; embedding it in the business was another. InterContinental Hotels & Resorts has 147 facilities in 60 countries worldwide, spanning a daunting array of cultures, languages, and operating practices. With a business this large and complex, and a plan this ambitious, the company knew it was facing a formidable challenge and would need some high-quality help. So it turned to Deloitte United Kingdom. But what initially began as program management and facilitation assistance quickly broadened into full-scale design and implementation support. "To make the program a success, we were going to have to make it live and breathe with our people. We knew we would need Deloitte United Kingdom for its discipline and rigor to manage a program of this scale, but we didn't realize how much it would add to the value and content of the program," says Anderson.

After pilots in 2005, the program was formally launched in January 2006, with instruction for all 40,000 InterContinental employees worldwide to instill the brand values and help them to understand the practical role they'd be playing to bring the new positioning to life.

"The program has been a landmark for InterContinental," says Anderson. "It's increased customer satisfaction and given the business a new vitality. But perhaps most important, it's given us a more meaningful relationship with our guests, which is what InterContinental is all about. Deloitte United Kingdom has been critical to that success."

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David Anderson
Vice President, Global Brand Innovation, InterContinental Hotels & Resorts

Meeting consumers' needs

In a commoditized world, with the rise of discounters, private brands, no-name brands, and one-price stores, consumers are increasingly indifferent to brand messages. According to "Consumers: Mapping a Course for Growth," part of the Deloitte U.S. series *The Future of Consumer Product Companies*, this means that brands are of even greater importance to consumer-oriented businesses now than they were in the past.

The challenge is greater than just building brand equity. The challenge is to create differentiating factors in order to attract a target consumer, use new marketing tools to engage the target consumer in a dialogue, use that dialogue to build a brand that conveys the differentiating factors, and execute the strategy in order to convince consumers of the reliability of the brand.

For more information or to download the series of reports, visit www.deloitte.com/US.

N. Venkatram, Deloitte India Lead Client Service Partner for Tata Steel, left, shares a relaxed moment with Koushik Chatterjee, CFO, Tata Steel, in the company boardroom in Mumbai, India. In the background is the bust of J. R. D. Tata, a visionary former Chairman of the Tata Group.

Tata Group

Some 150 years ago, J. N. Tata had a vision—that India would be self-reliant, with a strong industrial base. He set that goal in motion by founding several pioneering Indian companies. Today the Tata Group is India's largest and oldest business house, a global leader in the steel, chemicals, engineering, technology, and telecommunications sectors . . . and a long-standing Deloitte member firm attest client.

In 2005, Ratan Tata, Chairman of the Tata Group, set his sights on earning 35 percent of the group's revenues from international operations. After a slew of international acquisitions, crowned by the purchase of U.K.-based Corus Group plc, the figure may well be over 60 percent already.

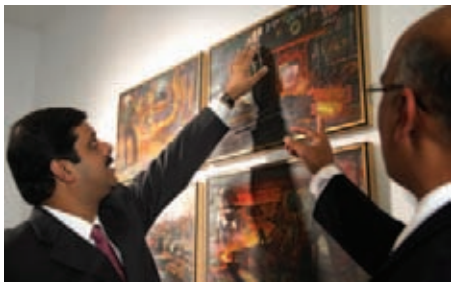
"When our client announced its ambition to expand across borders and develop a global footprint, we welcomed the opportunity to assist it along this path," says N. Venkatram, Deloitte India, Lead Client Service Partner for several Tata Group companies. "Four generations of Deloitte member firm partners had built a trusted adviser relationship with the Tata Group. We understood the businesses, the wants and needs. We had the capabilities and resources to assist in this quest."

Tata Steel is a case in point. J. N. Tata, founder of the Tata Group, established Tata Steel in 1907—100 years ago. India's first private iron and steel company, it readily embraced the group's global growth strategy.

With the involvement of several Deloitte member firm specialists in mergers and acquisitions, financial due diligence, and tax structuring, Tata Steel bought NatSteel in Singapore in August 2004. Millennium Steel in Thailand came next in December 2005. Then Tata Steel made a winning bid for the largest acquisition in Indian history in January 2007.

Koushik Chatterjee, CFO, Tata Steel, explains: "The Corus investment was a bold move, and the Tata Group demonstrated its ability to invest on a global scale. This was something that had never happened before in India."

Transactions such as these have continued to transform the group. "It is truly a great and satisfying experience, working with the clients to achieve their ambitions," adds Venkatram. "Deloitte has been there from the outset, as a seamless global team of Deloitte member firm professionals, through post-acquisition accounting integration, tax compliance, transfer pricing, and more."



"The Corus investment was a bold move, and the Tata Group demonstrated its ability to invest on a global scale. This was something that had never happened before in India."

Koushik Chatterjee
CFO, Tata Steel

Following India's rapid growth in manufacturing

Indian manufacturing has been changing at a blistering pace over the last decade, but significant challenges lie ahead for the industry in achieving world-class prominence. Overcoming these challenges, although not easy, will be worthwhile, according to a recent study, *Globalizing Indian Manufacturing: Competing in Global Manufacturing and Service Networks*. Developed by Deloitte Research in the United States in collaboration with the Indian School of Business, New York University, Purdue University, and the National Science Foundation, the study shows that manufacturing in India is expected to thrive by expanding domestic enterprises and boosting investments by global manufacturers.

The report tackles issues from all sides, juxtaposing historical and forward-looking perspectives, theoretical concepts, and actual case studies.

An extensive overview presents the opportunities and pitfalls Indian manufacturing companies encounter when they enter global manufacturing and service networks, as well as a look at Indian companies going global alongside multinational companies entering the Indian marketplace.

Manufacturers—domestic and multinational—operating in India need to rethink their operating models to take advantage of the current spectacular growth rates. This huge opportunity is almost without parallel in any other manufacturing economy in the world. Redesigning the business model for manufacturing in India can provide a fertile ground for global manufacturing innovation in the coming years.

For more information or to download the report, visit **www.deloitte.com/research**.

Takashi Nagata, Deloitte Japan Lead Client Service Partner for Dentsu, left, and Dentsu CFO Setsuo Kamai enjoy a conversation in Hamarikyu, a garden near the Dentsu headquarters building behind them.

Dentsu

Dentsu, one of the largest marketing communications groups in the world, strives to be "A Partner in Creating Value." By understanding Dentsu's industry and business strategies, Deloitte Japan is helping it prepare for change and breakthrough growth. This discussion between Deloitte Japan Lead Client Service Partner Takashi Nagata and Setsuo Kamai, Dentsu CFO, explains. …

How does Deloitte Japan help you meet your challenges?
One of our financial challenges is accelerating our business growth, while improving our return on equity and assets, and maintaining our current credit rating. We also need to gear up for the Japanese Sarbanes-Oxley (J-SOX) regulations that will become effective in 2008. Deloitte Japan has been guiding us on corporate governance, disclosures, and processes. With its help, internal controls already are in place in our Corporate Management Division and Accounting Division; our domestic and foreign subsidiaries are implementing such controls now.

You say that Dentsu creates value for clients. Does it drive your choice of advisers?
We focus on the reliability and strictness of our auditor as well as its ability to provide services to our overseas operations, especially in China. We also place great importance on trust in the Lead Client Service Partner assigned to our company. Based on their deep understanding of our business, we look to our audit team for advice in overcoming challenges, as well as how to interpret and apply statutory and accounting standards. Also critical to the relationship is the importance of Deloitte Japan's role of adviser, telling us when something is not right, and explaining the details to us clearly.

And what are Dentsu's ambitions?
Several milestones were marked in 2006 for us: the 105th anniversary of our founding, the year we achieved our group's consolidated net sales target of 2 trillion yen, and seeing our overseas sales exceed 10 percent. The Dentsu Group continues to strive for even greater growth, with a focus on the digital and global businesses. We are confident that Deloitte Japan will help get us there, by continuing to provide us with perceptive and positive advice that takes all of our group companies into account.

"Based on their deep understanding of our business, we look to our audit team for advice in overcoming challenges, as well as how to interpret and apply statutory and accounting standards."

Setsuo Kamai
CFO, Dentsu

Capturing convergence

It seems everyone in the telecommunications, media, and technology sectors is talking about convergence. To capture the current thinking on this topic, DTT's Global Technology, Media & Telecommunications Industry Group put together *Convergence Conversations*, which includes interviews with 36 senior executives from the converging world. The interviews reveal that convergence has become one of the most central and significant issues facing the technology, media, and telecommunications sectors today. Convergence shapes everything from product and service launches to multimillion-dollar mergers and acquisitions.

The report uncovers a wide range of views on how the subject should be approached, with original perspectives on the rationale and scope of convergence. Some executives are firmly in favor of convergence, while others are skeptical. Some have benefited from it significantly, while others have yet to reap the benefits. Some are nervous about its future evolution, while others embrace it.

These conversations suggest that the industry may be in only the early stages of convergence. Digitization, for example, a driving force behind convergence, is likely to become more pervasive with every year that passes. Although technological progress helps enable engineering marvels of all types, many applications of convergence may never make business sense or be attractive to consumers.

For more information or to download the report, visit **www.deloitte.com/convergence.**

Left to right: Walter Moschella, Deloitte Canada Lead Engagement Partner for VIA Rail; VIA Rail CEO Paul Côté and Chief Financial and Administration Officer Robert St-Jean; and Sylvio De Rose, Deloitte Canada Lead Client Service Partner for VIA Rail, meet at Central Station in Montreal.

VIA Rail Canada Inc.

It used to be that internal audit focused mainly on control and compliance. The regulatory environment changed that and has heightened accountability and related concerns ever since. However, there are those member firm clients that long recognized the broad role that internal audit could play. Take VIA Rail Canada Inc., for example. …

Close to 30 years ago, the Canadian government unified its passenger rail system by merging the passenger divisions of Canadian National and Canadian Pacific to form a new entity—VIA Rail Canada Inc. The year was 1978, and Sylvio De Rose, current Lead Client Service Partner from Deloitte Canada, remembers it well. For soon after the transfer of assets took place, he and the Deloitte Canada team began to serve this client.

"As a self-standing corporate entity, VIA Rail started from scratch," De Rose says, "and we were there to help it set up its financial reporting, and other engagements followed throughout the years." However, none has proved as enduring as internal audit.

Walter Moschella, Lead Engagement Partner for VIA Rail, Deloitte Canada, explains: "Long before the wave of regulatory requirements in markets across the globe, VIA Rail saw the benefit of expanding internal audit beyond the realm of control and compliance. Given this broad-based perspective, the client issued a bid to outsource this work in 1995. We submitted a proposal for internal audit services and won the job . . . as we have in several rounds since."

At the beginning of each year, the Deloitte Canada internal audit team prepares a detailed, risk-based internal audit plan. It addresses a full range of auditable units as well as concerns of VIA Rail's senior management and Board of Directors, including the Audit and Risk Committee.

Paul Côté, VIA Rail Chief Executive Officer, describes the value the Deloitte Canada team provides: "Deloitte helps us operate efficiently and safely. Beyond that, there are the 'what ifs.' Funding, labor, infrastructure, security—how do we guard against such disruptions? We rely on the Deloitte team's expertise to help us map our strategies for these issues—they go beyond the normal mandate and provide a high level of value, which we have come to expect."

Robert St-Jean, VIA Rail Chief Financial and Administration Officer, has similar feelings about the experience: "The expertise and depth of experience that the Deloitte team brings to internal audit enables us to use it as a strategic tool."

"We rely on the Deloitte team's expertise to help us map our strategies—they go beyond the normal mandate and provide a high level of value, which we have come to expect."

Paul Côté
CEO, VIA Rail

***Growth*, deconstructed**

Developed from primary research by Deloitte member firm partners and practitioners, best practices from the field, and extensive secondary research, DTT's *Growth*, the Executive Series, offers advice to the C-suite in addressing the challenges faced by companies as they strive to lift their organization to the next level.

The series, available in English, French, and Chinese, focuses on three critical areas of management: strategy, capability, and commitment. Representative titles within these areas show the range of topics covered:

Strategy: "Developing an Executable Strategy"; "Managing Business Risks"; "Core Competencies and Strategic Outsourcing"

Capability: "Attracting and Managing Capital"; "Fostering an Innovative Culture"; "Developing Winning Products: Capitalising on ideas"

Commitment: "Pursuing and Managing Alliances"; "Attracting and Retaining Talent"; "Strategic Marketing: Driving customer focus in your company"

For more information about this series, or to download copies, visit **www.deloitte.com/global.**

Talking outside the Ministry of Finance in Paris are, left to right, Gilles Pedini, partner, consulting and risk services, Public Sector, Deloitte France; Frank Mordacq, Director General for State Modernization, DGME; and Elisabeth Hachmanian, partner, consulting and risk services, Public Sector, Deloitte France.

DGME

(General Directorate for the Modernization of the State)

Challenges abound for governments the world over. Bombarded by a confluence of trends both inside their borders and beyond, agencies in the public sector have had to address the need to change. Such was the case when the French government engaged Deloitte France to assess the processes and operations of its ministries and help to build up transformation plans for more efficiency and greater performance.

Governing forward: New directions for public leadership, a white paper by the DTT Public Sector Industry group, states the case. Governments must transform.

The bureaucracies created centuries ago are struggling to meet today's needs. Aging populations demand more services and choices, better quality, and accountability. At the same time, external factors, such as global competition, exert influences of their own. As such, they add pressure for greater security, efficiency, and flexibility.

In order to start up the process of change after structural transformations such as budgetary reform, and the implementation of new management tools and processes, the French government had established an agency to drive change. The General Directorate for the Modernization of the State—DGME—sits within the Ministry of Economy, Finance, and Industry. Its mission is to steer the state's reform, that is, to improve public services, use of expenditures, deployment of personnel, and to monitor general review of programs and policies. To guide the way, it appointed Deloitte France to perform a series of strategic diagnostic assessments to build up action plans and to assist the ministries in their implementation. Pascal Pincemin, Deloitte France Lead Client Service Partner for DGME, explains: "We had done a critical mass of work for the state previously and welcomed the opportunity to apply our knowledge to the issues at hand. Clearly, reform in France is a high priority mandate. We needed to act decisively and quickly to deliver a plan."

Hundreds of inquiries and interviews with stakeholders at 15 ministries comprised the front end of the project. A work stream of innovative solutions followed. The crowning requirement? A fully operable blueprint.

Frank Mordacq, Director General for State Modernization, comments: "Partnering with the private sector on a large-scale undertaking is new for France. In another first, we published all of the work undertaken with Deloitte on our public website and invited coverage and comments from the media and our citizens. In managing this high-profile process, we put our confidence in Deloitte."

Above, Pascal Pincemin, Deloitte France Lead Client Service Partner for DGME.

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>
> **Frank Mordacq**
> Director General for State Modernization, DGME

The power of partnerships

The evidence is everywhere of the large and growing gap between infrastructure needs and historical rates of investment: congested roads, poorly maintained transit systems, and deteriorating hospitals and schools. These problems in turn impose huge societal costs, such as lower productivity and an increased number of accidents. In little more than a decade, a shift has occurred in how governments are providing infrastructure. Many are using public-private partnerships (PPPs) to provide private financing, design, building, and operation of infrastructure to close the gap.

Closing the Infrastructure Gap—The Role of Public-Private Partnerships, a Deloitte U.S. publication completed by Deloitte Research, documents the revolution taking place in how this gap is being closed. The report outlines the benefits and challenges of PPPs in many infrastructure segments and provides a road map for governments at all stages of PPP development. Researchers used an innovative approach by leveraging Deloitte member firms' Infrastructure Solutions/PPP Communities of Practice, made up of more than 300 Deloitte practitioners and experts from over 70 countries who work daily on providing financial, construction, and infrastructure information and feedback on the state of the PPP and infrastructure market worldwide. Many feedback sessions were held, resulting in one of the most comprehensive and accurate assessments to date of the infrastructure crisis.

For more information or to download the report, visit **www.deloitte.com/research**.

Tim Bullock, left, Deloitte Middle East Lead Client Service Partner for Kuwait Petroleum Corporation (KPC), talks with Bader Al-Shumaimri, Manager of KPC's Corporate Risk Management Department, in the company's boardroom, with a view of Kuwait City behind them.

Kuwait Petroleum Corporation

Managing the global operations of a company that includes 11 main subsidiaries carries with it a huge amount of risk, particularly when those operations span six continents and the full spectrum of oil and gas activities. Kuwait Petroleum Corporation (KPC), one of the largest vertically integrated national oil and gas companies in the world, needed enterprise risk management (ERM) expert guidance and best practice support; that guidance and support came from Deloitte member firms in the Middle East, United States, and United Kingdom.

The ability to sustain past success in the oil and gas business is dependent upon a number of factors including managing risks proactively. KPC management created a vision of becoming a center of excellence in Risk Intelligent ERM in its industry that is intended for the well-being of KPC and ultimately for the people of the State of Kuwait.

Tim Bullock, the Lead Client Service Partner for KPC in the Middle East, said, "We are pleased to have played a part in furthering KPC's journey toward becoming a world-class leader in the oil and gas industry through our ERM and various auditing engagements."

David Traylor, the Deloitte U.S. ERM engagement partner for KPC, noted, "We had the honor of working with KPC's Corporate Risk Management Department in developing an ERM framework that will allow KPC to realize substantial benefits by using risk management as the common language to provide integrated strategic decisions for optimum business performance."

A major challenge facing KPC was the complexity of its corporate structure; its subsidiaries had independently developed their own risk management capabilities. So the project had to develop an ERM framework that could accommodate a degree of independence among the subsidiaries while uniting them under an overarching corporate ERM framework.

Bader L. Al-Shumaimri, KPC's Manager of the Corporate Risk Management Department, noted, "Our challenge has been to develop an ERM program with broad application to our many diverse businesses. Deloitte teamed with the dedicated professionals in our corporate risk management group to take ERM concepts and practically apply them across the company. Deloitte is using its deep industry expertise to make ERM a sustainable value within our company."

"As one of the foremost national oil companies in the world, Kuwait Petroleum Corporation is at the very core of Deloitte's national oil company strategy. Through Tim Bullock, David Traylor, and other Deloitte practitioners, and most significantly with the support of KPC's own dedicated team of professionals, Deloitte has been able to assist the group in developing ERM and other service offerings that benefit the State of Kuwait."

Chris Nicholson
DTT Industry Leader, Energy & Resources

Exploring the new regime

Over the last century, the oil and gas industry has witnessed its share of change and transformation. The breakup of Standard Oil in the United States resulted in the formation of large "oil majors." These firms have dominated the international landscape for decades while recent industry consolidation has given rise to a handful of "supermajors." Widespread nationalization of oil assets, largely in Arab nations in the middle part of the last century, and most recently in Latin America, have created state-owned oil companies that by some measures are larger than their private sector counterparts. Russia's government has reversed course from the "Loans for Shares" programs of the 1990s that led to the creation of oligarchs to an industry now firmly under state influence with minority participation from foreign investors.

The report, *Regime Change in the Oil and Gas Industry*, produced by Deloitte Research in the United States, explores the concept of disruption—a specific kind of innovation that has historically threatened the end of even the most powerful incumbent organizations—and the impact it may have on three segments of the oil and gas value chain: retail, refining, and exploration and production.

For more information, and to download the report, visit **www.deloitte.com/research.**

Right to left: In Mexico City, Marcos Martínez Gavica, CEO, Grupo Financiero Santander, talks with Guillermo Roa, Deloitte Mexico Lead Client Service Partner for the bank, and Ricardo García, Deloitte Mexico Audit partner for the bank, in Santander's money market front office.

Grupo Financiero Santander

Risk has always been a big word in the financial services vocabulary, but nowadays the word looms larger than its four letters. Like most banks in the industry, Grupo Financiero Santander in Mexico is looking to enhance its management of the risks inherent in banking while complying with ever-increasing regulatory requirements.

Grupo Santander, one of the world's largest banks, has operations in more than 40 countries. Deloitte Mexico became auditor of Grupo Financiero Santander and all its Mexican subsidiaries in 2002.

"Our group is dynamic and innovative in its financial transactions, so it is essential that our auditor have deep knowledge and understanding of this very specialized industry," says Marcos Martínez Gavica, Chief Executive Officer of Grupo Financiero Santander and former president of the Mexican Banking Association. "That's why we chose Deloitte Mexico—after all, the Mexican firm provides services to most of the financial institutions in Mexico." And worldwide, Deloitte member firms serve all the top 20 global banks.

Martínez notes, "We expect Deloitte Mexico to help us deal with the new challenges we face, such as fast-changing technologies and the shifting needs of our retail customers, who are a big part of our business. And we've been proved right—Deloitte Mexico has the technical expertise to tailor solutions for a number of our complex issues."

One of these has been Sarbanes-Oxley 404. Deloitte Mexico's Lead Client Service Partner for Santander in Mexico, Guillermo Roa, says, "Santander in Mexico is an important subsidiary of the Spanish parent company, audited by Deloitte Spain, with significant impact on the 404 report, and we have advised the bank at all stages of the process."

"In that process," says Martínez, "the support Deloitte Mexico provided brought to our attention the important risk points in time for us to strengthen our internal control environment and comply with headquarters requirements."

Martínez adds, "One of our group's most important priorities is to mitigate reputational risk. That is not an easily achievable goal in the financial services industry, but having an auditor like Deloitte, which is recognized in Spain and Mexico, among other countries, as the leading organization in the industry, contributes greatly toward reaching that goal."

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Marcos Martínez Gavica
CEO, Grupo Financiero Santander

Taxing tactics

Global financial services institutions are under constant pressure to outperform their competitors. At the same time, they are continuously confronted with an ever-increasing range of complex business issues. And, very often, effective tax management is overlooked as a way to boost a company's performance.

DTT's *Triggering the Tax Advantage: Tax tactics for the Global Financial Services Industry* looks at several areas of a global financial services institution's business and uncovers how tax can play a role in creating competitive advantage in each area. The report covers seven key business areas, including:

- Enterprise Risk Management – How tax technology can contribute to more comprehensive coverage
- Customer Relationship Management – Why good tax reporting is critical to maintaining customer trust
- Information Technology – How companies can use tax credits to secure significant savings on IT and research and development investments
- Mergers and Acquisitions – Why tax considerations deserve a place in the deal
- Regulatory Compliance – How tax technology can stop deficiencies from sabotaging your Sarbanes-Oxley compliance
- Human Resources – Why international assignments are key to retaining top performers
- Accounting and Reporting – Why financial institutions need to integrate tax reporting into their IFRS approach.

The report aims to link tax ideas with those financial services issues currently being dealt with in the global marketplace. For more information or to download the report, visit **www.deloitte.com/global.**

Deloitte.

An aerialist performs at Deloitte Germany's hundredth anniversary celebration in Duisburg.

Inspiring talent

People are not merely the Deloitte organization's most important resource, they are the Deloitte organization. Everything Deloitte has achieved and stands for, and everything that sets it apart, derives from the skills, ambitions, and values of Deloitte member firms. People are also at the heart of one of the organization's goals in its vision—to be the first choice for the most sought-after talent—for only with world-class talent can the standard of excellence be met.

Managing talent, therefore, means planning for the future. And the goal is a bold one: to expand the organization's workforce to 200,000 people by 2011. In a highly competitive and rapidly changing talent market, the challenges this entails are as complex as the stakes are high. To meet the target, member firms are pursuing a multifaceted strategy designed to foster and increase their talent base at every level, including maximizing international career mobility, accelerating career development, collaborative sourcing, enhancing workplace flexibility, prioritizing inclusiveness and diversity, cultivating new talent pools and talent-spotting in emerging markets, and encouraging coaching and mentoring throughout the organization.

Nick van Dam, Global Chief Learning Officer for DTT, states, "Deloitte people are the key to our success in the market and with member firm clients. The learning and talent program is closely aligned with our strategic objectives, providing 24/7 learning and knowledge across the globe at the speed of business and empowering Deloitte people to excel in their profession and their career."

For Vassi Naidoo, DTT Managing Partner, Talent, the ultimate goal behind the strategy is a community built on shared values and a commitment to each other. "We've taken a long, hard look at what really attracts people to an organization like Deloitte, and what makes them stay. Conventional rewards are naturally part of it, but a surprisingly small part. What really drives people in this organization is a hunger to be personally challenged, to be in an environment where they feel energized and inspired, and where excellence and quality are prized and rewarded. It's about a sense of purpose and the pride that comes from working for the organization and being part of something that's truly worthwhile."

It is the values and culture of the organization most of all, Naidoo believes, that will produce success in the pursuit of talent. "The same culture of collaboration and shared purpose that distinguishes the way member firms work with clients pervades the Deloitte organization. It's a culture in which everyone is heard and everyone counts. If Deloitte can nourish and sustain this culture into the future, member firms *will* continue to be a magnet for the best and brightest, and achieve their Deloitte vision to be the first choice of the world's most sought-after talent."

Carlos Haehnel, CEO, Deloitte LATCO, welcomes new partners to the 2006 Global New Partner Seminar held in Buenos Aires.

Deloitte member firms around the world named 877 new partners last year. A majority of them attended the 2006 Global New Partner Seminar held in Buenos Aires, Argentina. The annual event is an opportunity for new partners to build networks, learn about the organization's vast resources, and enhance relationships with clients and colleagues.

Developing talent at all levels

In professional services, world-class clients want to work with world-class people. One reason the most sought-after professionals are attracted to Deloitte member firms is the opportunity for learning and advancement. People in the member firms not only have the opportunity to create their own paths but also to provide their opinions about what is important for maintaining the right culture for them to develop and to help shape it.

Deloitte member firms enable people to enhance their competencies and skills through many learning and talent development programs and initiatives. In fact, more people are remaining with Deloitte member firms as a result of these talent-enhancement programs. For example, Deloitte United States supports a culture of continuous learning through many courses available in both traditional live instruction and virtual formats. Areas of study include coaching and mentoring, onboarding (integrating new employees quickly), and Continuing Professional Education and certification programs. Here are just a few of the learning opportunities at DTT and its member firms.

Relationships with top educators
Development of future leaders is a priority in the member firms, and this is achieved in a variety of ways across the globe. One example is DTT's long-standing relationship with the International Institute of Management Development (IMD), rated the number one business school for executive development programs in Europe. Over 15 years, more than 800 Deloitte partners have participated in IMD's executive education programs. Member firm professionals also stay connected through IMD's weekly webcasts, in which more than 1,100 Deloitte professionals regularly participate.

Deloitte member firms attract and hire over 20,000 students from hundreds of universities around the world each year. Student recruitment provides an essential flow of talent into the Deloitte organization. In March 2007, Deloitte piloted a student event called the Student Business Forum at IMD. This event was intended to build brand eminence and enhance recruitment activities at top universities across Europe. Fifty students were selected to participate in the forum from over 700 applicants. The forum included facilitators from all lines of Deloitte businesses. There was broad participation in the event from Deloitte member firms throughout Europe. The student participant evaluations of the forum were extremely positive and many of the student participants are now potential recruits.

Online programs for busy professionals
To support the learning needs of member firm professionals around the world in their daily work, DTT Learning offers an extensive array of self-service learning resources that are powered by the Deloitte Learning Platform and provide member firms with 24/7 access to 60,000 hours of relevant content. Resources include e-learning courses, podcasts, webinars, virtual classroom sessions, performance support tools, and an extensive online library of book titles from current thought leaders. DTT Learning delivered more than 1 million e-learning courses last year, and the learning site continues to be the number one visited site on the global intranet each month.

"I wake up every morning excited about going to work."

Dan Lange
Global Managing Partner, International Tax Services, Deloitte United States

Dan Lange

The importance of talent

"The tax practices in the member firms are enjoying outstanding growth, which creates outstanding career growth opportunities for Deloitte people. I attribute that success to the focus on people, clients, marketplace, and quality. The starting point in this process is a significant investment in people. As they grow professionally, they continue to bring high-quality services to clients, and these services in turn lead to a competitive edge in the marketplace.

"Deloitte member firms are great places to work. People enjoy working for an organization that helps them to develop rapidly, to be recognized and rewarded for their efforts. The Deloitte culture stresses teaming; learning and development; and broad, flexible career choices. Examples of this include embarking on 'second careers' within the organization and global assignments in other countries. This kind of diversity of opportunity is important to the development of professionals.

"To ensure the freshness and consistency of this culture, Deloitte engages in a lot of global networking, client events, training, and leadership events. Member firms share best practices on a regular basis, so the culture keeps pace with the continual changes in the business environment, regulations, and technology.

"Throughout the world, there is a shortage of people coming out of the universities with an interest in tax. One of Deloitte's imperatives is to help students see the benefits of a career in tax. We look for students who seek diverse and challenging experiences, who want to make greater use of technology and technical knowledge in solving business problems.

"Once we attract such people to the Deloitte organization, member firms are proactive in satisfying their interests and objectives, so they are constantly growing and want to remain with the organization. It is this constant innovation that allows Deloitte people to flourish."

The journeys of Deloitte member firm people can combine modern action in a classical, ancient setting. On a bicycle trip across the frozen Onega Lake to Kizhi Island, Russia, the cyclist approaches the Kizhi Museum, one of Russia's largest outdoor museums, known for its traditional wooden architecture. Contributed by Dmitry Bulavinov, Deloitte CIS

Chance to be heard

Listening to people is critical to a healthy work environment. Each year, the majority of Deloitte member firms conduct a People Commitment Survey that generates a very high response rate. This year over 107,000 people were invited to participate in the survey, and 80 percent of them used the opportunity to be heard on a range of issues including compensation and benefits, work-life harmony, recognizing success, performance management, and hiring and staffing. An important milestone was reached in FY07, namely, the average commitment index for all participating member firms increased from 74 to 75, reaching the goal of improving the index by one point every year.

And member firms don't just listen to their people; they take action as a result. For example, Deloitte Belgium now offers coaching sessions for partners, emphasizing career guidance and quality conversations with people, work-life balance (including self-energy management) courses, and broader offerings of nontechnical skills programs in general. The reengineering of performance management processes will also be one of the projects to address issues raised during the survey.

Deloitte United Kingdom used the survey results to encourage dialogue, leading to greater understanding of people's needs, and as the basis for a *Quality Conversations Toolkit*, designed to encourage regular, honest, and constructive feedback. Owing in part to the toolkit's impact, the firm's attrition rate decreased to 18 percent, and Deloitte United Kingdom was ranked sixth among the *Sunday Times* Best Big Companies in 2007.

People tend to stay where they feel they can grow and have a voice that is heard. With a renewed focus on making sure this happens, Deloitte member firms have been recognized by many organizations as a "best place to work," reaching milestones in relation to employee satisfaction across the globe. (See also Awards and recognition, page 51.) In FY07, Deloitte member firms received Employer of Choice awards in 14 countries on 23 occasions. Good news for Deloitte member firms, and good news for the clients they serve.

"If Deloitte is to become the standard of excellence, that is going to be achieved through our people. If Deloitte member firm people have reached their highest potential, then they can become the standard of excellence. In learning, Deloitte provides the tools necessary to help member firm professionals achieve their true potential."

Ann Kilbride
DTT Director, Audit Learning

Ann Kilbride

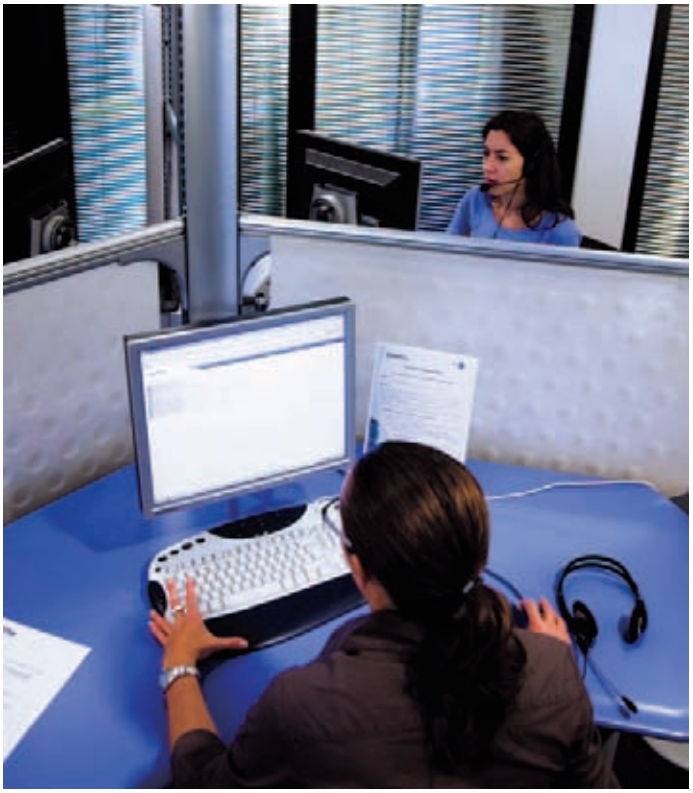
The importance of learning

"In 1999, when I took on the role of DTT Director for Audit Learning, no global learning materials existed for the audit function. Fast-forward eight years, and there are 615 hours worth of online and classroom audit learning curricula used by all member firms. One major result of this effort is a common learning model that drives consistency across the Deloitte audit function. Deloitte member firms achieve a consistent interpretation of the requirements and standards. Therefore, there is one Deloitte view of the implementation of and approach to the audit.

"This consistency is highly important when multiple member firms are working with cross-border, international clients who often need to meet requirements across many countries. It all comes back to a consistent understanding of the services Deloitte is providing to clients. Whether it's an audit that relates to U.S. standards or International Financial Reporting Standards, it is important that all member firm professionals have access to high-quality learning materials, and that they are equipped to provide those services exceptionally.

"If the right checks and balances are in place, and people are doing the right things consistently no matter which member firm they are in, Deloitte will be able to achieve its vision to become the standard of excellence."

Women at Deloitte member firms		
	FY06	FY07
Women as percentage of total personnel	45%	46%
Women as percentage of hires	44%	45%
Women as percentage of member firm partners and directors	16%	18%
Women as percentage of member firm managers	33%	35%



Some 2,500 Deloitte France employees have taken online learning classes at the e-lab at firm headquarters in Neuilly since the learning center opened in 2004.

According to the annual people commitment surveys of the Deloitte member firms, 81 percent of Deloitte partners and professionals would recommend Deloitte to their friends as a place to work and 92 percent would recommend Deloitte to potential clients.

Drawing strength from diversity and inclusion

Placing importance on diversity and inclusion could not be more important than it is today, and has a strong foundation in the Deloitte Shared Value, Commitment to each other. Diversity and inclusion are multifaceted and include a commitment to developing people from all backgrounds, whether by gender, nationality, or people with disabilities. Having a diverse workforce is critical, as it not only enriches the work environment but also helps to break down barriers.

One way people in the member firms are able to gain a broader perspective on different cultures is through the Global Development Program. This program enables people to move to another country for a period of time and become immersed in another culture. This in turn helps them in their career experience and broadens their cultural understanding. Member firms also have many of their own individual programs that focus on diversity and inclusion and reflect the intricacies of their own cultures.

In France, for example, the firm does more than ensure the diversity of its own workforce. This year, more than 150 company managers, public officials, and intellectuals attended the second annual diversity meeting hosted by Deloitte France. Discussion was opened by Deloitte France Chairman of the Board Amadou Raimi, who emphasized diversity as an essential component of dynamism and a performance stimulus. Roundtable discussions were joined by notable leaders from organizations that confront racism and inequality, including Louis Schweitzer, Chairman of the Board of Renault and Chairman of the High Authority against Discrimination; Claude Bebear, Chairman of the Supervisory Board of AXA; and Jacques Attali, French economist, philosopher, and former adviser of the President of the Republic.

Another example is the emphasis member firms are placing on developing female talent. Deloitte U.S. Women's Initiative (WIN), launched in 1993, had many milestones over the past year. The program delivered 400 programs to 12,000 people in 2006, received nine major awards for WIN-related programs, and was invited by 57 client firms to initiate or improve the execution of their WIN efforts. WIN's effectiveness is demonstrated by the fact that the U.S. firm has the highest percentage (21 percent) of women partners, principals, and directors among U.S. professional services firms.

Sally Ride

The first American female astronaut and Chairperson of the Deloitte U.S. Council for the Advancement and Retention of Women

As one of the first women in a field traditionally dominated by men, Sally Ride is well versed in the issue of women's advancement in the workplace and shares her thoughts on how women are progressing on the road to equality.

"When I entered the astronaut corps at the Johnson Space Center, of the 4,000 scientists and engineers there, only 5 were women. I was in the first class of astronauts that included women—6 in a class of 35.

"Today many women are earning college degrees in math, engineering, science, and other previously 'male only' professions, such as accounting. The Deloitte U.S. Council for the Advancement and Retention of Women has found that interesting women in these professions is no longer the issue. The problem comes later, when we look at the progress women have made compared with men who began their careers at the same time.

"One stumbling block to women's advancement is culture—subconscious attitudes that continue to exist. People tend to build relationships with others who look, speak, and act like them. So the council has encouraged piloting the Women as Buyers workshop to educate people about gender differences that can influence an interaction with a client or colleague. The differences are subtle, such as where people choose to sit at a discussion table or how they position themselves in conversation.

"In business it's all about relationships. Women entering the workforce should try to find a mentor—man or woman—with whom they feel comfortable, who can help them learn the ropes. People coming out of college know a lot, but not about the way business works. That has to be learned on the job and comes faster with the help of a mentor."

"In business it's all about relationships."

Top, Sally Ride, Chairperson of Deloitte U.S.'s Council for the Advancement and Retention of Women.

Above, left to right: Dr. Ride; Jim Quigley, then CEO Deloitte United States; and Cathy Benko, then national managing director, Deloitte U.S. Women's Initiative, participate in the 2006 Deloitte U.S. Women's conference in San Diego.

360°
360°
Deloitte.
Deloitte.
IMAX
IMAX
OCEAN

As part of a multimedia advertising campaign Deloitte United Kingdom launched in March 2007, a wrap of the IMAX cinema in London plays on Deloitte's ability to view a problem from all angles.

Living the brand

A vibrant and compelling brand is essential to the strength and success of the Deloitte organization and helps to move the organization closer to becoming the standard of excellence. But it is brand in a special sense. "Brand, for Deloitte, is not a commercial instrument," says Ludo De Keulenaer, DTT Managing Partner, Brand. "It's not about our 'product,' or even what Deloitte does. It's about who we are and what we stand for."

For Deloitte member firms the brand expresses the network's unique value proposition. It is the distinctive experience that comes from being served by the organization's people, the commitment to service and integrity those people embody, and the trust and respect they collectively generate among investors, in the capital markets, and in their communities. Behind it all lies a tradition of quality, independence, and excellence, reflected in the Deloitte Shared Values.

"It's not for nothing," says De Keulenaer, "that Deloitte places so much emphasis on its people. The people of Deloitte carry the brand, and it is their actions and interactions—across everything they do—that deliver the Deloitte brand experience." Developing the capabilities and potential of the Deloitte organization's nearly 150,000 people is therefore seen as integral to building the brand. "It's a perfect symbiosis: the energy and creativity of the Deloitte people drive the business and the brand, while the unparalleled breadth and diversity of the network allow them to pursue careers of extraordinary richness and variety. It's why member firms listen with such care to their people's aspirations and priorities. We've seen this, especially, in the area of ethics and sustainability. It's very important to Deloitte people—and so, of course, to our brand."

Ethics and sustainability are issues of increasing importance throughout the Deloitte network. They are reflected in how member firms serve clients, how they run their own organizations, and what role they seek to play in the communities to which they belong. As De Keulenaer puts it: "The Deloitte network is an astonishing storehouse of talent and expertise. Mobilizing this talent to make the environment—and indeed the world—a better place is a basic responsibility. This is the Deloitte brand."

> “I encourage my colleagues in the Deloitte family of firms to become involved in organizations such as IFAC. The Deloitte culture supports such involvement. It helps your career, your profession, and, yes, even the world’s economies.”
>
> **Fermín del Valle**
> Deloitte Argentina partner and current IFAC president

Fermín del Valle

Deloitte Argentina partner and current IFAC president on the importance of getting involved in the future of the profession

“In the 10 years I have been involved with the International Federation of Accountants (IFAC), I have served in various positions—first as a member of the board and now as president. With 155 member bodies in 120 countries, IFAC plays a major role in raising the quality of professional standards and furthering international convergence and compliance.

“IFAC’s mission is to serve the public interest in strengthening the worldwide accountancy profession. IFAC´s vision for the future of professional regulation is one in which the institutions of the profession will continue to be important, and will continue to work with external regulators in an ongoing quest to find the right balance of external regulation and self-regulation, with public oversight. Being close to this kind of professional activity—with such far-reaching implications—is very exciting.

“It is also particularly rewarding to bring organizational assistance and financial support to countries where the profession is underdeveloped. We see great enthusiasm in those countries. At a meeting in Africa, IFAC and the World Bank launched a project to create a pan-African accountancy organization. I came away from a recent meeting in Mexico very optimistic about the profession’s evolution in Latin America.

“I encourage my colleagues in the Deloitte family of firms to become involved in organizations such as IFAC. The Deloitte culture supports such involvement. It helps your career, your profession, and, yes, even the world’s economies.

“Unlike the role of doctors, the work of accountants is not clear in the public’s mind. People do not realize the many aspects of a business transaction that require the accountant’s expertise—aspects that affect the public’s well-being. That’s why it is important for us to communicate effectively the importance of the accounting profession in society.”

In April 2007, then DTT CEO Bill Parrett, on the right, and other business leaders from the G8 countries gathered in a first-ever preparatory meeting to discuss important business issues in advance of the June 2007 G8 Summit.

The Deloitte Shared Values put integrity at the center of everything the Deloitte member firms do. A commitment to corporate responsibility is deeply embedded in the Deloitte Ethical Principles, specifically *responsibility to society*. Deloitte member firms recognize and respect the impact they have on the world—because it is the right thing to do. The Ethical Principles support a culture of excellence and accountability; therefore integrity, transparency, and accountability guide the corporate responsibility agenda.

Helping set direction

Collaborating for change

Accounting scandals, technology advances, and expanding globalization are driving changes in financial reporting, the auditing profession, and the very nature of business throughout the world. Deloitte member firms are collaborating with other professional service firms, international corporations, and governmental organizations to help see that stakeholders receive the information that they need and the information that is required for continued economic growth.

Keeping an open dialogue

When the global CEOs of the six largest accounting and auditing networks convened in November 2006 at the third Global Public Policy Symposium (GPPS), they had a lot to talk about—and they still do.

In connection with the symposium, the CEOs released "Global Capital Markets and the Global Economy," a paper that outlined their ideas on how global financial reporting and public company auditing procedures should be adapted to better serve capital markets around the world. The paper was put forward with the purpose of stimulating an exchange of views among key capital market stakeholders—preparers, regulators, investors, standard-setters, and auditors.

The paper stimulated lively discussion both during and after GPPS III, with many stakeholders expressing a desire to participate in further discussions aimed at shaping and refining the initial ideas. In response to this, the CEOs have been hosting a series of roundtables around the world to obtain more detailed feedback and help shape the agenda going forward. The roundtables are intended to help structure the debate at the next GPPS on 14–15 January 2008 in New York.

Getting involved in these issues on a regional level can be just as integral in effecting change. Hendrik Descheemaeker of Deloitte Belgium, the Europe, Middle East, and Africa Regulatory Task Force Chairman, met with other regional member firm managing partners to discuss the recent audit directives in the European Union and what they mean for the profession. Rather than just react to change, the six largest networks working together are seeking to help shape it. Descheemaeker recently spearheaded a movement to submit comment letters to the European Commission on audit firm inspection procedures and auditor liability issues.

> "It is a matter of all stakeholders doing their part to develop an environment that supports fraud detection, including corporate culture, setting the tone at the top of the organization."
>
> **William G. Parrett**
> Former DTT CEO

Educating journalists

As audit procedures and reporting requirements change, the public must be kept informed. Journalists must be able to discern those changes and understand how they affect various stakeholders.

With public awareness in mind, Deloitte Argentina held a workshop for 20 journalists from the most important media outlets in Buenos Aires and Cordoba. Topics included the uniqueness of auditing in Argentina, auditor responsibilities, and the workings of auditor control organizations. Deloitte China sponsors a course for journalists on a number of accounting issues, such as how to read annual reports.

These endeavors reflect a change in Deloitte member firms' perspective. The focus has clearly shifted from one that was highly internal to one that is external, that looks beyond the organization and the industry to the challenges and changes in the world.

Cross-sector collaboration

Just as Deloitte member firms have been collaborating with other professional services firms to discuss regulatory change and to strengthen the audit process, their professionals have been working with other organizations on issues that extend beyond the accounting industry.

World Economic Forum

Incorporated as a foundation in 1971, the World Economic Forum is an independent international organization committed to improving the state of the world by engaging leaders in partnerships to shape global, regional, and industry agendas. Deloitte has a relationship with the forum dating back over 15 years. As a Strategic Partner, DTT provides the forum with access to a deep pool of knowledge and resources. At the January 2007 meeting in Davos, Switzerland, Deloitte's presence and involvement were stronger than ever. Former DTT CEO Bill Parrett presented convincing evidence that "India's success can be achieved only by strategically managing its strengths—its suitable regulatory environment, available and skilled workers, and connectivity to the global technology infrastructure." John Connolly, DTT Chairman and Deloitte U.K. Chief Executive, participated in a roundtable on the future of the mergers and acquisitions sector and the emergence of private equity and cross-border transactions. Deloitte France CEO Jean-Paul Picard cohosted an executive luncheon with the Invest in France Agency during which participants exchanged ideas on French economic policies and incentives.

Boao Forum for Asia

With China and India quickly becoming two of the world's top three economies, how will Asia react? And how will this shift in power affect world markets? Questions such as these are the business of the Boao Forum for Asia (BFA), a nongovernment, nonprofit international organization that brings together government, business, and academic leaders from Asia and other continents. DTT proudly serves as the sole Intellectual Supporting Partner to the BFA, helping to engage world leaders in shaping Asia's transition into a global economy.

TransAtlantic Business Dialogue

In relation to discussing changes in the way businesses function across borders, DTT CEO Jim Quigley was among a small group of corporate executives who met at the White House with U.S. President George W. Bush, German Chancellor Angela Merkel, and President of the European Commission José Manuel Barroso. The group met as part of the broader TransAtlantic Business Dialogue, whose mission is to establish a barrier-free transatlantic market. The group's discussions included a range of topics, such as international financial reporting and accounting standards.

At a Deloitte U.S. business forum in Washington, D.C., on public-private partnerships, Norman Mineta, former U.S. Secretary of Transportation, described the U.S. transportation structure as a "traffic Armageddon" and explained how public-private partnerships can offer "a way out of this mess."

Council for Multilateral Business Diplomacy
International governmental organizations (IGOs) and nongovernmental organizations (NGOs) drive many public policy issues. Deloitte member firms feel strongly about the importance of establishing relationships with these groups and work to maintain their expectations, improve communications, and influence their policy decisions. A recent initiative to strengthen the relationships with these types of organizations is the new Council for Multilateral Business Diplomacy (CMBD), based in Geneva. Deloitte has been in on the ground level in the development of the organization and joins representatives from corporations headquartered around the world, such as Procter & Gamble, sanofi-aventis, and Unilever.

The CMBD is not an advocacy group but rather arranges for companies to meet IGOs and NGOs, learn about their agendas, network, and exchange views on common interests. The range of topics can be seen in the types of organizations the council has already met with: United Nations Conference on Trade and Development, International Labor Organization, International Organization for Standardization, World Trade Organization, and World Health Organization.

The Aspen Institute
One issue Deloitte United States has been working on with the Aspen Institute's Corporate Values Strategy Group is combating short-termism—that is, guiding corporations and investors toward long-term value creation in relation to business decision-making and investing. Members share a concern that short-term pressures, with focus on quarterly earnings and incentive structures, encourage pursuit of short-term gain with little regard to long-term effects.

These discussions have led to the creation of the Aspen Principles, a set of guidelines for long-term value creation for both operating companies and institutional investors. The Aspen Principles address three factors of sustainable value creation:

1. Define the metrics of long-term value creation, such as creating value over five years and beyond.
2. Focus corporate-investor communication around long-term metrics, finding appropriate ways of supporting an amplified voice for long-term investors.
3. Align company and investor compensation policies with long-term metrics.

Archbishop Desmond Tutu

On commitment to society

Public and private sector organizations alike acknowledge the importance of commitment to their local communities and benefit from working together for a better future. In a discussion with Deloitte, Archbishop Desmond Tutu, Nobel Prize winner, talks about his work for the nonprofit organization Close the Gap and how companies can always do more in their commitment to society.

Archbishop Tutu, why is your work with Close the Gap, a nonprofit organization that facilitates the transfer of knowledge to people in underdeveloped countries, important?
Because information is the basis of development. Young adolescents in developing countries have the same potential as young people in more developed countries. The main difference is that poor countries do not have access to information, and this is a big obstacle to development.

When receiving the symbolic 30,000th computer from Deloitte Netherlands CEO Roger Dassen, you said, "We are all members of one family." How does that apply to private sector organizations as well as to nonprofit ones like Close the Gap?
The business world is not only interested in increasing shareholder value. Real sustainable growth is directly linked to the impact a company has on its employees and their families, the environment, its business code of conduct, and its ethical values. We are all part of that wider society.

In expressing your gratitude at the ceremony, you quoted Charles Dickens's character Oliver Twist, saying "Thank you. Can I have some more?" How do you think the business community can do more?
I think that Deloitte member firms set a perfect example by working closely together. Deloitte Belgium uses its professional expertise to help Close the Gap grow and expand. Now Deloitte Netherlands has joined in. That's how we already got a bit more. Hopefully, more companies and people will follow.

> "Real sustainable growth is directly linked to the impact a company has on its employees and their families, the environment, its business code of conduct, and its ethical values. We are all part of that wider society."

In Brussels, in November 2006, Archbishop Desmond Tutu, center, receives the 30,000th computer donated to Close the Gap from Deloitte Netherlands CEO Roger Dassen, right. Close the Gap was founded by Olivier Vanden Eynde, left, Deloitte Belgium.

On IMPACT Day in June 2007, Stefani Lagna, Deloitte United States, reads to children in Brooklyn, New York, as part of Project Reach Youth, a nonprofit organization that helps low-income people to learn and grow in a creative and supportive environment.

Commitment to community

There are countless ways that the people of Deloitte member firms "live the brand." One example is the professional skills member firms contribute to social causes in order to have a positive impact on their communities. Although member firms contribute to the solutions of global challenges in a myriad of ways, investments in the community are driven by the idea that leveraging intellectual capital of the people of Deloitte member firms makes the greatest social impact. Therefore, member firms and their people focus on investments that use the core competencies and skills of their people, specifically in the areas of education, employability, and entrepreneurship.

Education

Realizing that education is one of the essential components in breaking the cycle of poverty, many Deloitte member firm professionals devote their time and talent to helping students develop the knowledge and skills needed to become the next generation of leaders.

For example, Deloitte United States has teamed with College Summit to provide public school systems with the strategies and tools needed to send more students to post-secondary education. Through a mix of donations, volunteerism, and leadership, Deloitte U.S. is helping College Summit to operate in 10 states, serve more than 14,000 students, and train over 500 teachers and counselors.

With similar objectives, some 2,000 volunteers from more than 20 Deloitte member firms worldwide help the nonprofit organization Junior Achievement Worldwide (JA) educate and inspire young people to value free enterprise, business, ethical decision-making, and economics. A recent study found that students who get involved with JA are more likely to attend college, focus on business courses, take more responsibility for personal behavior, and have a more positive self-image. The collective efforts of Deloitte member firms make Deloitte one of JA's largest corporate volunteers. Ainar Aijala, DTT Managing Partner, Consulting, is the JA Worldwide Chairman for 2006 to 2008.

With a focus on improving youth education in impoverished areas, since 1999 Deloitte Mexico has been involved with the Meyalli School, which is devoted to the education of underprivileged children, ages 3-15. Within its continuous community investment program, this year, Deloitte Mexico has been working with the school on improving safety measures by teaching crime prevention and self-defense. The program was previously held at a school for deaf children, implementing better safety measures through the installation of visual alarms and crisis management training. In November 2006, the Centro Mexicano de Filantropía (CEMEFI) granted Deloitte Mexico its first "best practice in community investment" award, based on the success of the safety program.

On IMPACT Day, "Edge" spokesperson and popular Finnish television host Jani Toivola speaks about diversity to 50 children, invited by Deloitte Finland, at the contemporary art museum Kiasma. "Edge," a booklet created by Deloitte Finland with the International Youth Foundation, is about the richness of diversity; it has been sent to all upper-level schools in Finland.

To celebrate and renew these various commitments to community investment activities, many member firms choose to set aside a day each year called IMPACT Day. Since its inception, member firms' participation in IMPACT Day has spread widely across the globe. Their participation went from 6 countries in 2004 to 38 countries two years later. In 2006, 30 percent of the approximately 135,000 people of Deloitte member firms volunteered their time and services during IMPACT Day events.

Employability

Many member firm professionals offer employability skills training to students and disadvantaged members of the community to help prepare them for a future in which they can thrive and develop as professionals and individuals. Programs focus on enhancing technical and interpersonal skills through classroom learning, online courses, and assigning mentors.

One example is Deloitte New Zealand's work with the Foundation for Youth Development, an initiative that teaches life skills to 13- to 15-year-olds. The people of Deloitte New Zealand assist the Foundation for Youth Development by providing accounting, financial advice, and resources; sitting on boards; and acting as mentors for teenagers. Deloitte New Zealand's support of the foundation helps enable the programs it delivers to reach many communities across the country.

In the United Kingdom, the U.K. firm has led an award-winning employability initiative over the past five years for 16- to-19-year-olds that helps develop the skills and behaviors needed and valued in the workplace. With support from several other large organizations, as well as development funding from the Department for Education and Skills, Deloitte United Kingdom designed and directed a learning program that colleges can use to teach employability skills. In addition, Deloitte United Kingdom recently launched a "train the trainer" course for college teachers who wish to develop the skills to deliver this type of training. With an investment of £2.5 million over the next five years, the target is for Deloitte United Kingdom to fund the training of 800 new trainers, so they can deliver employability skills courses to up to 80,000 college students.

On IMPACT Day, Deloitte Brazil held workshops for students in São Paulo that emphasized employability. Here, Camilo Santos, Deloitte Brazil tax partner, helps students prepare their résumés.

Left to right: Former New Zealand Governor-General Dame Catherine Tizard, Deloitte New Zealand CEO Murray Jack, and New Zealand Prime Minister Helen Clarke attend a business dinner cohosted by Deloitte New Zealand and the Foundation for Youth Development, which provides programs supported by Deloitte New Zealand to lift the skills, motivation, and achievement of young New Zealanders.

Junior Achievement New York and Deloitte United States held a Young Women's Leadership Conference in May 2007 that included a live teleconference with Redia Anderson (shown on the screen at left), Deloitte U.S. Chief Diversity Officer, on how to best plan and prepare for a career in corporate America. The young women in the audience are college-bound African-American and Hispanic students from the Bronx High School of Law and Finance.

Entrepreneurship

Another way that Deloitte member firm professionals contribute their time and skills to the community is through helping empower entrepreneurs in their efforts to take their business ideas to market. Member firm professionals provide a variety of resources, including business advice and tools, as well as opportunities for entrepreneurs to learn from other business professionals' experiences with issues of starting and running a business.

For example, Deloitte Belgium and Deloitte Netherlands have a strong relationship with Close the Gap, a nonprofit organization founded in 2003, that sees knowledge transfer as a prime driver for social and economic progress. (Read more about Close the Gap and Deloitte member firms' involvement in the interview with Archbishop Desmond Tutu on page 44.)

In Uruguay, the nonprofit organization Endeavor helps young entrepreneurs in emerging markets to start and run successful businesses by providing them with strategic support to help their companies grow. High-performing business school students and other professionals volunteer to assist the entrepreneurs with business plan and strategy development and mentoring services. Since the launch of an Endeavor program in Uruguay in 2000, Deloitte Uruguay has been providing pro bono services to the program such as audit services, facilitation of training courses on business management issues, and participation in the selection panel admitting new entrepreneurs to the program. Deloitte Uruguay also renders low-cost consulting services to the new entrepreneurs.

Preserving the planet

Deloitte Netherlands organized projects in the northern part of the country relating to culture, nature, and care, including activities, pictured above, for the natural environment in cooperation with the Forestry Commission.

In the scope of global challenges, climate change is certainly among the top concerns. Deloitte participates in the ongoing debate about long-term sustainability and the ways businesses recognize, create, and measure value. Member firms understand that changing perspectives on sustainability and environmental responsibility will have a profound effect on their people, their clients, and the way business is conducted. For example:

- Businesses, including Deloitte clients, are finding innovative solutions to reduce the consumption of natural resources and to develop and implement sources of renewable energy.
- Supply-chain management is changing in order to maintain sustainable sources of raw materials and produce and dispose of waste in environmentally friendly ways.
- Issues of public policy, including regulatory compliance and taxation, will create incentives to achieve and monitor actions toward achieving a sustainable future.

As a result, Deloitte is:

- Advancing its knowledge of environmental sustainability and climate change issues, responding to market needs, and providing relevant services.
- Raising awareness with the public, its people, and its clients.
- Managing its own environmental footprint.

Deloitte understands that changing perspectives on sustainability and environmental responsibility will have a profound effect on its people, its clients, and the way business is conducted.

United Nations Global Compact
A signatory of the United Nations Global Compact, Deloitte member firms are working with a variety of organizations—both global and local—to address the issues of the day, whether by breaking the cycle of poverty by helping educate and train others, or closing the digital divide between the northern and southern hemispheres. Visit **www.deloitte.com/globalcompact** to see how Deloitte member firms seek to live up to the 10 UN Global Compact principles.

On its London campus, Deloitte United Kingdom is working with the builders and architects to minimize the environmental impact of both new and refurbished buildings. The buildings' design will reduce energy and water consumption, automatic controls will minimize energy consumption, and use of renewable materials is being optimized. In addition, implementation of a campuswide recycling scheme is enabling the recycling of over 70 percent of office waste. Image by Miller Hare

Björn Stigson, president of the World Business Council for Sustainable Development, moderates a panel on Environment & Sustainability at the Deloitte Lead Client Partner Forum in Rome in June 2007. Efforts to reduce the forum's environmental impact included limited paper handouts, reduced use of power, and carbon-neutral travel.

Advancing its knowledge of environmental sustainability and climate change, responding to market needs, and providing relevant services

Deloitte is committed to leading its markets through responsible, sustainable business practices and is highly qualified to understand the changes that will affect business processes. Examples of these changes include incorporating taxation matters into investment decisions and attesting to quantifiable measures of progress as all sectors work together to help ensure the sustainability of the environment.

Deloitte professionals have expertise in benchmarking, implementation, assurance, and risk management consulting in related areas. A cross-industry, cross-functional Climate Change & Sustainable Resources Board has been established to oversee the development of new services to meet the needs of the ever-evolving market and to provide member firm clients with strategies and action steps for making their companies compliant, efficient, and environmentally responsible.

Raising awareness with the public, its people, and its clients

Deloitte has a strong history of contributing to the development of solutions to shared global challenges. As participants in the 1992 Earth Summit, Deloitte member firms were among the first professional services organizations to acknowledge the importance of environmental sustainability to the success of leading global companies. Deloitte practitioners have continued to forge relationships with organizations such as the World Business Council for Sustainable Development, the United Nations Global Compact, and the Global Reporting Initiative that are dedicated to measuring and managing the effects business has on the environment.

Many member firms have taken on the responsibility of raising awareness about these global challenges among their people and within their own communities.

Managing its own environmental footprint

Deloitte's vision—to be the standard of excellence—includes a focus on managing for future generations, reinforcing the importance of adopting leading environmental practices. Beyond simply complying with local legal and regulatory policies, Deloitte works to raise the bar, apply principles of accountability, and set targets for achieving demonstrable progress.

DTT guidelines for environmental management are being developed in FY08. These guidelines will promote environmental impact awareness and training for member firm staffs, continuous evaluation and improvement in efficient energy use, waste management and minimization, and the incorporation of environmental impact issues into procurement.

To learn more about the various "green" initiatives of Deloitte, visit www.deloitte.com/corporateresponsibility

Teaming with Deloitte friends—some 1,000 from Deloitte United Kingdom joined in a 5.6 kilometer corporate charity run in London's Battersea Park in July 2007—adds special fun to a work-life-fitness event.
Contributed by Jo Westhead, Deloitte United Kingdom

Deloitte in 2007, at a glance

In 2007, for DTT and Deloitte member firms worldwide, the road was marked with milestones of accomplishments. The journey through this review shows a glimpse into the member firms' accolades from the year and progress being made in all business segments and industry sectors—moving the organization closer to its vision of being the standard of excellence.

Member firm milestones

Awards and recognition

The year has brought many third-party accolades and awards acknowledging Deloitte member firms around the world. Though the award titles may vary, they all point to Deloitte member firms as doing what their people—as well as their clients—appreciate. Below is a sampling of awards across the firms.

Member firm awards

In Western Europe, both Deloitte Portugal and Deloitte France were noted as a Great Place to Work by the Great Place to Work Institute, with Deloitte France also receiving a special award for continuing education. In Central Europe, Deloitte Poland was named as one of the top three employers in Poland by AIESEC, the world's largest student organization, progressing from position number nine the previous year, and ranked number two in Poland by the European Law Students Association. In Asia Pacific, *Cheers* magazine named Deloitte Taiwan as the only professional services firm in the 10 Most Wanted Places to Work list; and in the United States, *Working Mother* magazine named the U.S. firm among the 100 Best Companies for Working Mothers and for Women of Color, and *Latina Style* named Deloitte United States one of the top 50 companies for Latinas. Deloitte Australia was named Accounting Services Firm of the Year in the *CFO* Magazine Awards 2006, and the Korean newspaper *Moneytoday* gave its best accounting firm award to Deloitte Korea. Deloitte China was awarded the prestigious Guangming Corporate Social Responsibility Award by one of the leading Chinese language media, *Guangming Daily*, whose judging panel was composed of senior government officials. Deloitte China is the only CPA firm to win this recognition and is one of only 20 award winners selected from 400 multinationals in China.

Recognition for leadership development

In mid-2007, the International Consortium for Executive Development presented Deloitte with a best practice award for leadership development. The award recognized Deloitte's Leadership Excellence programs, which combine classroom training with innovations such as virtual classrooms, self-paced online learning, and post-program learning support to help leaders in member firms around the world better serve clients and deliver high-quality results.

Recognition for Deloitte.com

Deloitte.com has been rated as the best professional services website in two separate reports from different analysts, as well as being rated one of the top 20 websites in the world by the *Web Globalization Report Card* (compared with more than 200 websites in over a dozen industry sectors).

The DTT Careers website was ranked as the top Global Careers Website in the Universum survey of the Big Four student recruitment websites and was also recognized as a Top Student Career Website in Europe, Germany, and the United States by PotentialPark. The careers website received over 5.2 million visits and 750,000 applications for nearly 10,000 jobs posted worldwide for Deloitte member firms in over 75 countries. The site recently launched both podcasting and video hosting capabilities. In addition, more than 35,000 site visitors signed up during the year to receive the *Access Deloitte* quarterly career newsletter.

Anniversaries

Much of Deloitte's rich culture and dynamic character comes from the contributions each member firm makes. This year a number of member firms are celebrating significant anniversaries:

- What began modestly as Suddeutsche Treuhand Gesellschaft AG in 1907 is today the thriving Deloitte Germany. Celebrating 100 years of professional service, Deloitte Germany held a gala for its 3,400 colleagues. Proud of its past, the member firm looks to the future in its celebratory theme—"100 Years Thinking about Tomorrow." (See page 52.)
- The foundation for Deloitte Kenya was established in 1907, and the firm is still going strong, celebrating its 100th anniversary with the theme "100 Years of Excellence in East Africa" and yearlong festivities.
- In 1911, Deloitte member firms' professionals went to Rio de Janeiro, Brazil, to provide audit services for expanding British railroad companies. That engagement led to 95 years of service and continued growth. Today Deloitte Brazil, composed of 3,200 people working from 11 offices, is the country's audit leader.
- Deloitte Central Europe celebrated its tenth anniversary this year as a regional partnership. In that short time, the member firm, with a team of 3,500, has grown to become a leading provider of professional services in the region.
- After more than 10 years of a successful working relationship, Vietnam Auditing Company Ltd (VACO) and the Deloitte member firm in Vietnam officially joined forces to create Deloitte Vietnam. Manoj Singh, former CEO of the Deloitte Asia Pacific region, said: "Deloitte Vietnam can build on its long-term commitment with dedicated resources in best practices, technical know-how, and human resources—providing the best auditing, tax, and corporate advisory services to domestic and foreign companies in Vietnam."

At the fourth annual Investment Bank awards hosted by the financial newspaper *Moneytoday*, Young Tak Lee, left, Chairman and CEO of the Korea Exchange, presents the award as Korea's best accounting firm to Deloitte Korea; the award is being accepted by Seung Woo Yang, Deloitte Korea Managing Partner.

Celebrating 100 years

Volker Schoeck, director in the Stuttgart office audit practice, displays a scarf honoring Deloitte Germany's anniversary. The message: "A passion for the best answer."

Thriving for 100 years is reason enough to celebrate, but Deloitte Germany is also proud of its tripling revenues over the past 10 years. Not resting on its laurels, the member firm plans to double in size again over the next 5 years.

At the heart of Deloitte Germany's success are its multidisciplinary practice and its ability to build specialized solution sets for clients. According to Michael Göttgens, Deloitte Germany's Clients & Markets leader, the firm is more nimble than its competitors and offers more innovative services. The specialist service lines it has developed—such as enterprise risk services, international tax, forensic accounting, and mergers and acquisitions—have given Deloitte Germany a reputation for high-value expertise at the top of the market. It is a record of achievement that has made the firm's number one challenge keeping up with its rapid growth. "We believe in the Deloitte brand and expect a successful future with the courage for flexible changes," says Prof. Dr. Wolfgang Grewe, Managing Partner of Deloitte Germany.

Thought leadership

In boardrooms and business journals, Deloitte Research is known for bringing insightful new perspective to real-world concerns. Composed of leading thinkers from many member firms, Deloitte Research produces more than 30 thought leadership papers each year on strategic, economic, regulatory, technology, and industry priorities. Below are abstracts of just a few of the many recent publications from Deloitte Research:

***Connecting People to What Matters* (a companion piece to *It's 2008: Do You Know Where Your Talent Is?*), by Robin Athey, Research Director, Organizational Performance (Deloitte United States)**

Through case studies, this report shows that an engaged workforce is crucial in attracting and retaining talent and, ultimately, to delivering better business performance. The report stresses three critical connections: people to people, people to a sense of purpose, and people to vital resources.

***Managing Pathways to Convergence in the Life Sciences Industry*, by Deloitte Research authors from Deloitte United States Laura Eselius and Mohan Nimmagadda; Ajit Kambil, Director, Deloitte Research (Deloitte United States); R. T. (Terry) Hisey, Managing Principal, U.S. Life Sciences practice (Deloitte United States); and John Rhodes, Managing Partner, DTT Life Sciences (Deloitte United States)**

Life sciences firms are moving beyond traditional industry boundaries to create new health care solutions for patients and providers. By combining core technologies (diagnostics, devices, and drugs) in innovative ways, firms are creating new technology platforms and products that offer improvements in safety, effectiveness, convenience, and value. This paper identifies the driving forces behind the convergence trend and proposes a framework for considering investment alternatives under different scenarios.

***China and India: Comparing the world's hottest consumer markets*, by Deloitte Research economist Ira Kalish (Deloitte United States)**

The integration of more than 1 billion Chinese and Indian workers into the global economy over the past quarter century was a profound economic development. Yet of even greater importance are the rising incomes of Chinese and Indian consumers. The addition of these consumers to the global economy will almost certainly contribute to the growth of global food retailers and their suppliers. This report offers both a point of view on the evolution of this economic shift and a look at the future of the consumer markets in China and India.

Deloitte member firms go to market under a single Deloitte brand, with a common vision —to be the standard of excellence. One of the hallmarks of the brand is the commitment to client service excellence in all four of the business functions.

Service lines

Audit
New Fortune 500 clients, more third-party recognition, and steady growth in aggregate member firm revenues only begin to document the success of the audit and enterprise risk services practices in Deloitte member firms. Facing the public demand for greater transparency, as well as new regulatory measures and widespread corporate globalization, member firm audit practitioners continue to deliver superior audit quality.

Powered by enhanced cross-border teamwork with audit practitioners in the member firms, the enterprise risk services practices have been transformed into a robust global business. This year, a major industry analyst identified Deloitte as the leading provider of risk advisory and consultative services, with the greatest breadth of risk management capability among 37 professional service firms.

Deloitte's continuing contribution to international efforts to embed consistent understanding and application of International Financial Reporting Standards was marked during the year by the one-millionth download of the suite of e-learning modules covering all of the standards made freely available at the Deloitte.com website.

Tax
Quality expertise, innovative new offerings, and commitment to strategic initiatives designed to anticipate the changing marketplace and its impact on clients have been elements critical to Deloitte member firm tax practices' maintaining growth and gaining market share. Collectively aggregate from FY02 to FY07, they have increased the practices' global tax revenue almost 82 percent. The practices navigated a challenging regulatory environment—including policies related to client and engagement acceptance, liability caps, and general terms and conditions—to take the lead in enhancing service capability to international clients.

In the last year, surveys conducted by both the *International Tax Review* and *Tax Business* magazine recognized Deloitte as having the best global tax brand. For the last six years, *Euromoney* has cited Deloitte member firms as being the world's best in transfer pricing, and several Deloitte member firms have been recognized for their excellence, growth, and innovation.

Consulting
The consulting practices in Deloitte member firms continue to reshape and reinvigorate themselves to deliver services wherever clients need them. Their efforts have resulted in a projected collective compound annual growth rate of 10 percent for FY04–FY07, a rate that has outperformed the market.

The size, scope, and quality of Deloitte's consulting practices have led industry analysts to recognize Deloitte member firms as leaders among many rivals and across disciplines globally, including strategy, operations (referred to collectively as management consulting), financial consulting, and IT consulting. Deloitte was recently ranked as the world's largest management consulting organization. (Source: *World's Largest Management Consulting Practices, Consultants News*, June 2006. ©Kennedy Information, Inc.)

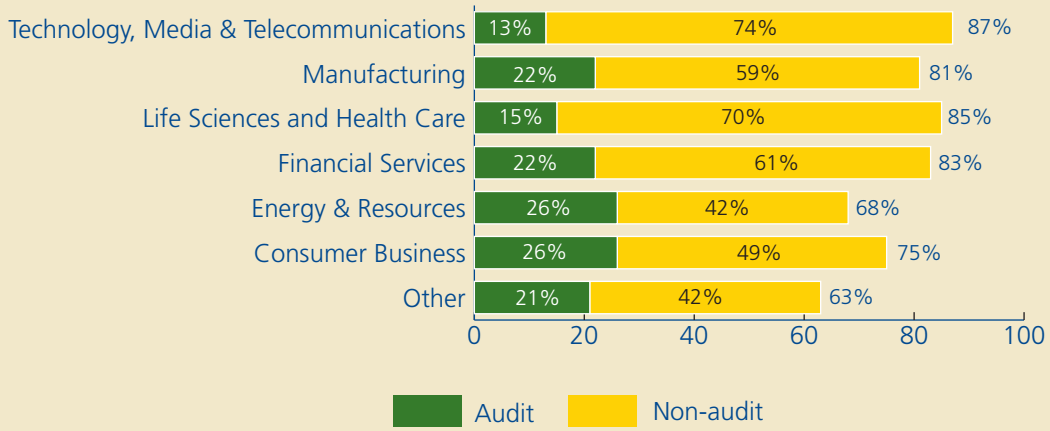
Deloitte member firms are also recognized for strong alliances with major technology and enterprise applications players—building on a strong relationship, Deloitte and SAP recently broadened their alliance relationship to include a Governance, Risk & Compliance solution; Oracle awarded Deloitte Consulting LLP two North American Titan 2006 Partner Awards, and Deloitte United Kingdom won Oracle's Consulting Partner of the Year award.

Financial advisory
The financial advisory practices in Deloitte member firms continually develop innovative methodologies and services to help clients deal with regulatory changes, accommodate risk, and seize opportunities. Over the past two years, the member firm financial advisory practices have experienced a total revenue increase of 44 percent, the highest increase among the four service lines.

The financial advisory practices in the member firms offer forensic, dispute, reorganization, valuation, and corporate finance services, among others. They also offer the leading M&A transaction advisory services to private equity firms, having acted on 13 of the 20 largest buyouts in history.

The Deal and *Unquote Europe* magazines singled out Deloitte as a leader in non-investment banking restructuring and corporate finance advisory, respectively.

Percentage of 2007 *Fortune* Global 500® served by Deloitte member firms



Overall, Deloitte member firms serve over 80 percent of the 2007 *Fortune* Global 500®.

In addition to large multinational clients, Deloitte member firms also serve countless middle market clients, which account for more than 50 percent of aggregate revenues. Member firm practitioners across the globe are empowered with the support of the network to drive client service excellence, creating value and setting the pace in this important market segment.

Given the complexity, dynamics, and vast size of the middle market, there is a clear need to localize strategy, while leveraging the power of the global organization to ensure consistency and differentiated value for clients. To drive this initiative, the Global Middle Market Committee is developing a set of tools for approaching and servicing the most sought-after middle market client segments the committee has identified.

Serving leading industries around the globe

A key component of Deloitte member firms' ability to provide quality service is their knowledge of their clients' industries. Dedication to attracting and developing professionals with deep industry expertise has made Deloitte member firms some of the most sought-after service providers to the *Fortune* Global 500®. In addition, member firms serve a wide range of national and middle market enterprises, public institutions, privately owned companies, and public sector organizations.

- **Aviation & Transport Services**—Deloitte member firms serve 10 of the world's top 10 airlines and 18 of the top 20. We also serve 18 of the world's top 20 railways, 8 of the 10 largest global shipping companies, plus all 10 of the world's largest 10 freight transportation and logistics companies.
- **Consumer Business**—Deloitte member firms serve 75 percent of consumer businesses in the *Fortune* Global 500®, including 89 percent of the consumer products companies, 95 percent of the top 20 retailers, 75 percent of tourism, hospitality, and leisure companies, and 100 percent of consumer and business services companies.
- **Energy & Resources**—Deloitte member firms serve 54 of the 80 Energy & Resources companies included in the *Fortune* Global 500®. The top 10 national oil companies (NOCs) hold approximately 90 percent of the world's oil and gas reserves. We serve 4 of these companies, and since they are government owned, are not included in the *Fortune* Global 500®.
- **Financial Services**—Deloitte member firms serve all of the top 20 global banks, all of the top 10 global securities companies, 18 of the top 20 global insurance companies, 17 of the top 20 global asset management companies, and 17 of the top 20 global real estate companies.
- **Life Sciences and Health Care**—Deloitte member firms serve 85 percent of the *Fortune* Global 500® life sciences and health care companies, all of the top 10 pharmaceutical companies, all of the top 10 largest biotech companies, 9 of the 10 largest medical equipment companies and leading health care services companies around the globe.
- **Manufacturing**—Deloitte member firms provide professional services to 81 percent of the manufacturing companies listed on the *Fortune* Global 500®. They serve 10 of the 12 largest aerospace and defense companies, 31 of the 37 global automotive companies, 18 of the 20 top manufacturers of industrial products and services, and 26 of the 36 largest process companies in the world.
- **Public Sector**—Deloitte member firms serve the largest departments and ministries in all of the leading 25 nations as ranked by the World Economic Forum. They also serve local, state, and provincial governments in North and South America, Europe, Latin America, and the Asia Pacific region.
- **Technology, Media & Telecommunications**—Deloitte member firms provide professional services to nearly 90 percent of the TMT companies in the *Fortune* Global 500®. They serve 20 of the 23 largest technology companies, 20 of the 24 largest telecommunications companies, and all six of the largest global media companies.

Deloitte OnLine, our Web-based communication and collaboration tool, is a daily factor in the lives of many Deloitte member firm people and their clients. It is integral to the efficiency and success of project work, and, more than that, it differentiates Deloitte member firms from their competition by allowing them to deliver a higher level of client service. More than 130,000 users have actively used Deloitte OnLine in the course of engagement delivery over the past year; more than 39,000 client users visit Deloitte OnLine to gain access to a wide range of relevant information and key tools and resources.

Delivering client value through knowledge management

The vision for knowledge management for Deloitte member firms is simple: *to be the standard of excellence at rapidly identifying and applying the best knowledge for member firm practitioners to deliver client service excellence*. Delivering value to the client is at the core of everything knowledge management does.

For example, practitioner responsiveness to client requests is accelerated through access to qualifications, and service-specific methodologies and tools. This in turn reduces risk and creates more consistent client service. Contracts for third-party research services equip Deloitte member firm professionals with authoritative technical and business resources, such as real-time newsfeeds tailored to specific issues or clients.

Traditional knowledge-sharing processes are complemented by people-to-people connections through Communities of Practice, facilitating global knowledge exchange and relationship-building across service offerings, industry practices, and country borders. (See sidebar, page 25, for an example of a Communities of Practice in action.)

Deloitte member firms provide knowledge creation and knowledge-sharing environments that contribute to each person's success, while at the same time contributing to the organization's collective expertise. Delivering the collaborative knowledge and experience to member firm clients is a significant differentiator for Deloitte.

Deloitte's strengths in risk consulting

In a report from Forrester Research, the independent technology and market research company, that compared the strengths of the most significant global risk consulting service providers, Deloitte was named a leader in all four of the comparative "Waves" (End-to-End Risk Consulting Services, Enterprise Risk Strategy, Risk Organization and Process Design, and Risk Technology Development and Systems Integration).

Forrester evaluated each firm's risk consulting in terms of current offering, market presence, and strategy against 80 criteria. Deloitte earned the highest overall scores, compared with the other providers, demonstrating strength in thought leadership, service offerings, and ongoing strategy.

The report states, "Deloitte's approach to risk consulting engagements focuses on risk management's crucial role in creating and protecting business value. An important thought leader in the space, Deloitte also leads the market with a full range of services from risk strategy and process design down to technology development and implementation. Deloitte stood out with this holistic approach as well as its emphasis on a 'risk intelligence' framework for driving enterprise-wide communication and action."*

**The Forrester Wave™: Risk Consulting Services, Q2 2007,* Michael Rasmussen and Chris McClean

eloitte.

Andy Harrs, center left, Deloitte U.S. Technology, Media & Telecommunications group, and CEOs from Georgia's fastest-growing technology firms ring the NASDAQ Stock Market closing bell.

Aiming for operational excellence

The Deloitte network—69 member firms in 142 countries—is bound together by a fundamental premise: that the whole is significantly greater than the sum of the parts. The power of the network is an important element in bringing the organization closer to the vision of being the standard of excellence.

The truth underlying this premise is borne out in the organization's financial results. But to sustain it requires rigorous coordination and stringent operational discipline.

Manoj Singh, Global Managing Partner, Operations, explains the strategy: "The strength of the organization lies in its global connections and local roots. To succeed globally we have to build on both—to help member firms leverage the network for their own growth, while ensuring the vitality and success of the network as a whole." By sharing best practices and information, forming strategic clusters and centers of excellence, planning on a global basis, and increasing consultation across the network, Deloitte member firms have been able not only to enhance their ability to serve clients globally but to increase their net revenues. Singh points especially to the success the organization has had in closing the performance gap between its largest member firms and those operating in less established markets. "This is a great example of the collective power of the network to lift all its members to new levels of performance and profitability."

Central to achieving and maintaining operational excellence is the preservation of the organization's reputation and the public trust vested in it. To help ensure this, governance, transparency, excellence in client service, and risk management have been elevated to the highest priority within the organization, and programs are in place to foster and safeguard them in every facet of the network's operations. "We've worked hard to create the preconditions of a high-quality, sustainable business: a strong financial foundation; a talented, committed workforce; rigorous control and governance procedures; and adherence to the highest professional and ethical standards" says Singh. "But ultimately, the best protection we have is the Deloitte culture of integrity and the values of our people. It's these that are the organization's real strength, and they remain, I'm pleased to say, very strong indeed."

Sustainable growth in revenue and earnings is vital for enabling superior service

Deloitte member firms' ability to deliver superior service to their clients is directly related to their ability to produce sustainable growth in revenue and earnings. This financial strength provides the capital to fund investment in people, technology, and innovation so as to continue to grow and adapt to clients' changing needs.

Through sustained growth, the member firms are able to provide opportunities that attract, motivate, and retain the best partners and professional staffs with market-leading expertise and to invest in developing new tools and methodologies to deliver the highest standards of service in each market segment.

To this end, DTT sets financial targets and monitors the member firms' financial and operating results to assess their performance and to ensure that each firm maintains the standard of financial health and condition that enables it to provide superior service. Key measures of financial performance include revenue and revenue growth; earnings and earnings growth; certain measures of profitability, productivity, and liquidity; and capitalization ratios to ensure each firm's continued viability and financial strength.

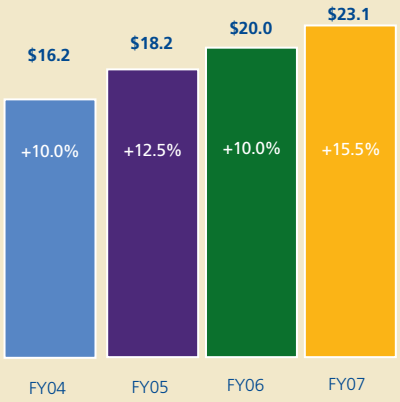
Deloitte member firms each have internal accounting controls for executing transactions in accordance with their management authorization policy, for maintaining accountability for assets, and for permitting the preparation of applicable financial statements. These controls ensure that the assets are safeguarded and that the financial information is reliable.

As Deloitte member firms operate through numerous forms of legal entities around the world, partners are compensated in various ways in accordance with their firm's structure. Forms of compensation include salary, partners' draws, bonuses, interest, dividends, and profit distributions; they also include various forms of benefits, such as pension and retirement plans in some firms. It is each member firm's practice to compensate partners in a competitive and equitable way in accordance with local market practices, in order to provide world-class continuous service and financial security to protect the independence of the partners.

Fifth consecutive year of double-digit revenue growth

Aggregate revenue of Deloitte member firms for the 12 months ended 31 May 2007 was US$23.1 billion, an increase of 15.5 percent over the same period last year. This marked the fifth consecutive year of double-digit revenue growth from continuing operations.

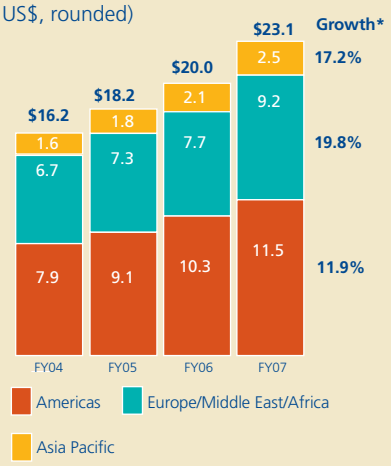
Aggregate member firm revenue growth (in billions of US$)



Presence of Deloitte member firms				
	FY04	FY05	FY06	FY07
Number of member firms	71	71	70	69
Number of countries	148	148	136	142

The DTT strategy will assist member firms to leverage their valuable resources, achieve a differentiated level of quality, and improve their position in the marketplace by encouraging clustering or regionalization. This will likely result in a smaller number of member firms; however, it will enhance service capabilities.

Aggregate member firm revenue by geographic region (in billions of US$, rounded)



*From FY06 to FY07
Note: Due to rounding, numbers may not tally with the total

Strong performance by the member firms produced revenue growth of 12.6 percent, measured in the local currencies of each country. The impact of currency exchange rate fluctuations between 2006 and 2007 produced an additional 2.9 percent increase in aggregate revenue, measured in U.S. dollars, for a total increase of 15.5 percent.

Aggregate revenues for the year were above plan, both in total and in each region, reflecting the increased demand for services by member firm clients and the resulting increase in service hours to 147.5 million. Member firms were also able to attract and develop additional staff to meet the increased level of activity within standard levels of utilization.

Strong regional growth

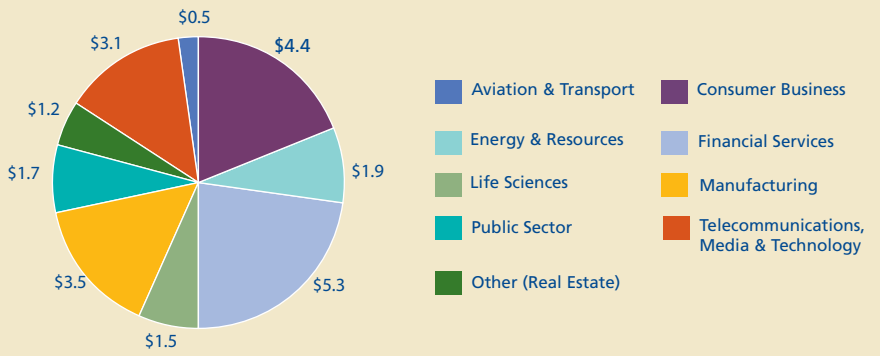
Each region reported double-digit revenue growth, reflecting the balance of the Deloitte network's financial strength. Member firms in the Americas region grew by 11.9 percent to US$11.49 billion, or 49 percent of the total, led by the member firms in Central and South America, which grew by over 15 percent, in aggregate. Firms in the Asia Pacific region made that the fastest-growing region in the Deloitte member firm network, measured in local currencies, by increasing 17.2 percent to US$2.46 billion, or 11 percent of the total. Revenue from the Mainland China practice increased by 48 percent, driven by the rate of economic growth and the Deloitte organization's strategic interest in that country. Revenue from member firms in the Europe/Middle East/Africa (EMEA) region increased by an aggregate 12.6 percent, measured in local currencies. However, the impact of the stronger euro and sterling, relative to the U.S. dollar, led to an increase of 19.8 percent to US$9.18 billion, or 40 percent of the total. The member firm in the Commonwealth of Independent States grew by over 45 percent.

Growth across all four of the businesses

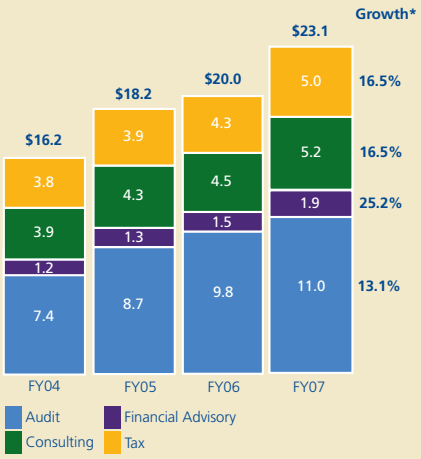
Each of the four businesses—audit, tax, consulting, and financial advisory—also recognized aggregate double-digit revenue growth. The unique value of the member firms' multidisciplinary approach to client service is evident in the balanced growth across all service lines.

Higher levels of global economic activity enabled the member firms' financial advisory practices to grow by an aggregate 25.2 percent to US$1.89 billion. Consulting and tax both continued to rebound from difficult prior years, each growing by 16.5 percent in 2007. Consulting revenues of US$5.19 billion represent 22 percent of the total, and tax services of US$4.98 billion represent 21.5 percent of the total. The audit practices grew by a total of 13.1 percent to US$11.08 billion, with strong results in core assurance as well as internal audit and enterprise risk services.

Aggregate Deloitte member firm revenues by industry (In billions of US$)



Aggregate member firm revenue by functional area (in billions of US$)



*From FY06 to FY07
Note: Due to rounding, numbers may not tally with the total

Financial services lead industry growth

Member firms reported the most revenue growth from the Financial Services industry, which increased by an aggregate 26 percent to over US$5.3 billion, or 23 percent of the total, remaining the largest industry in the Deloitte member firm network. Revenue from the Aviation & Transportation Services (ATS) industry grew by 22 percent to nearly US$500 million, and the Energy & Resources industry grew by 21 percent to almost US$1.9 billion. DTT member firms reported revenue growth in each of the primary industries of their clients.

About the financial results

This financial summary reflects the aggregate of selected operating and financial data of the member firms and their subsidiaries and affiliates. This information is prepared as a basis for measuring the change in aggregate results of the member firms over time, and is not represented or considered to be the actual or pro forma financial results of any single member firm or entity, or group of member firms or entities, prepared on a consolidated basis. Such a consolidation would generally not be appropriate or permissible under international or local generally accepted accounting principles.

Revenues include reimbursed expenses. Revenues related to transactions between member firms have been eliminated from the information included in this review.

Each member firm is a separate and independent legal entity, operating under the names "Deloitte," "Deloitte & Touche," "Deloitte Touche Tohmatsu," or other related names, in accordance with the policies of the Verein and the regulatory, statutory, and financial standards and requirements in their respective countries. (For more information on the nature and structure of the Verein, please see page 62.) The member firms operate in their respective countries through different legal forms: as partnerships, limited liability companies, corporations, and other forms. Accordingly, although the member firms use a similar structure of financial accounts, certain items may be classified and reported differently by different member firms as a result of the varying accounting practices in their countries. Aggregate results do not attempt to reconcile or restate certain transactions that are reported differently among the member firms.

Member firm financial and operating data include the results of all entities and practices that are majority-owned by the partners of the member firm. In addition, some member firms have minority interests in other practices, joint ventures, strategic alliances, and other business investments whose results are not included in the information presented in this review.

Quality Review Program—FY07				
	Audit	**Tax**	**Enterprise Risk Services**	**Consulting**
Number of member firm engagements reviewed	1,740	727	358	212
Number of member firms in which engagement reviews were carried out	40	42	28*	16*

* Number of countries

Quality control

DTT and its member firms commit to consistently providing professional services of exceptional standard and quality. This commitment includes having quality assurance processes for the businesses and functional practices within the member firms. These quality assurance measures are designed to address the unique considerations associated with Deloitte member firms' delivering high-quality services.

Quality assurance processes are the responsibility of the individual member firms. DTT provides guidelines, coordination, and support, including the development of DTT and local member firm standards, which underlie the provision of professional services and global frameworks. These, in turn, work to establish consistent methodologies among the business practices of Deloitte member firms. One such global framework is the *DTT Policies Manual*, which provides policies and guidance for all member firm functions on, for example, client acceptance, independence, conflicts of interest, and resolution of differences of opinion.

While setting these standards creates an environment in which quality is the leading focus for providing professional services, DTT and its member firms also recognize the importance of monitoring member firm compliance with standards across engagements, functions, and member firms on a continual basis. Therefore, in addition to the quality review processes that are incorporated into the conduct of Deloitte member firm engagements, periodic independent quality practice reviews are performed on selected engagements in each function. Member firm functional and risk management leaders oversee the latter, which involve detailed engagement examinations by service-line specialists from outside the practice or engagement being reviewed.

For example, annual practice reviews of member firm audit functions are performed to determine whether the Deloitte member firms have complied with DTT's audit approach, DTT and member firm policies, and applicable local laws, regulations, and professional standards. Member firms are required to establish detailed action plans to address recommendations arising from practice reviews. Adherence to the action plans is monitored by the leaders of the member firm and DTT, and failure to implement adequate improvements may be addressed with disciplinary action.

Each year, the results of the member firm practice review program, along with a summary of proposed actions aimed at enhancing performance, are reported to the global CEO, the Executive (see page 63), and DTT's Board of Directors. In addition to audit practice reviews, there are quality reviews of the member firm advisory functions that include consideration of DTT and member firm policies applicable to engagements and, where applicable, compliance with local laws, regulations, and professional standards. The results of these reviews are addressed through recommendations by member firm and DTT functional leadership.

Through these quality control processes, DTT and its member firms are able to continually improve the quality of the professional services delivered by member firms.

For further information on Deloitte quality and regulation initiatives, view the *DTT Report on Governance*, *Quality Control, and Financial Results* at **www.deloitte.com/stakeholderreport.**

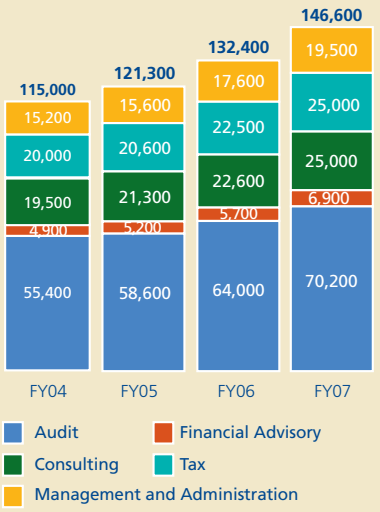
Deloitte member firm people

	Americas	Europe, Middle East, and Africa	Asia Pacific
Partners	3,900	2,900	1,700
Professional staff	46,500	43,700	21,800
Administrative staff	12,600	9,800	3,700

Turnover rate

The global average turnover rate has been reduced by four percent since FY06, due largely to the talent initiatives and programs sponsored by Deloitte member firms. Only through careful execution and measurement of success will member firms reach Deloitte's vision of becoming the standard of excellence.

Member firm partners and employees by functional area



Organization and governance

Governance structures

The governance structures of DTT have been established in accordance with generally accepted governance standards. Although DTT is a private organization, it seeks to achieve excellence in governance, which strengthens the global organization and the Deloitte member firms as they pursue their global and national strategies and contributes to member firm success in sustaining superior profitability. DTT's governance practices demonstrate to all of its stakeholders that DTT is dedicated to ethical conduct, is willing to submit to the same level of scrutiny as member firm clients and other public organizations, and places a high value on transparency and accountability.

Global structure

DTT is structured as a Swiss Verein—an association of member firms that are legally independent of one another but are operated under related names. These names include "Deloitte," "Deloitte & Touche," "Deloitte Touche Tohmatsu," "Tohmatsu," and others.

As a Verein, DTT does not provide any services to clients. It is funded by annual subscriptions paid by each member firm, and it has no individual partners, principals, or shareholders. DTT personnel are staff of a subsidiary of DTT or they are partners, principals, or employees of Deloitte member firms on assignment to DTT. The cost of these assignments is borne by DTT.

Member firm structure

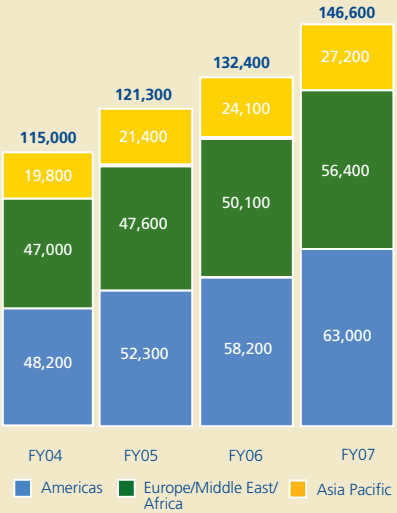
The partners of Deloitte member firms are the sole owners of their practices. The member firms are organized on an individual country or regional basis, and each operates within the legal and regulatory framework of its particular jurisdictions. They are separate and independent firms that are owned and managed locally. These firms have come together to practice under a common brand; common methodologies and client service standards; and other professional standards and guidelines.

The global organization

The member firms support and adhere to the purposes and policies of the Verein by:

- Conducting themselves in a manner that advances the reputation of the organization
- Aligning national plans, strategies, and operations with those of the global organization, as appropriate, in consultation with DTT executive management
- Adhering to all guidelines regarding professional standards, shared values, methodologies, governance of the Verein, and systems of quality control and risk management
- Advising DTT's executive management of the details of all joint ventures, joint practices, proposed mergers, and practice activity in jurisdictions other than those assigned to the member firm.

Member firm partners and employees by geographic region



DTT's leadership bodies

Globally, DTT is governed by its Board of Directors and managed by the Executive.

The DTT Executive

DTT's CEO is elected by the Board, is ratified by Deloitte member firm partners, and serves a term of four years. The 19-member Executive comprises the most senior DTT leaders from various regions around the world. It is responsible for establishing the vision and strategy that optimize Deloitte member firms' success and for protecting the long-term interest of all stakeholders. The Executive works in a collegial style and attempts to reach decisions through consensus.

The DTT CEO, currently Jim Quigley, leads the Executive and chooses its members, subject to approval by the Governance Committee and the provisions of the Verein Governing Documents.

Board of Directors and Governance Committee

The Board of Directors is DTT's highest governing body. The Board has responsibility for addressing governance issues within the competencies of the Verein. The Board must approve major initiatives of the Verein, such as strategy, plans, major transactions, and significant policies.

To best serve the global organization, it was determined that a large board was necessary to ensure representation from countries and regions based on a one member/one vote system.

The current Board is led by DTT Chairman John Connolly, CEO of Deloitte United Kingdom. Amadou Raimi of Deloitte France is the Vice Chairman. Both were elected in 2007 and will serve a four-year term. The DTT Board has 35 members; the DTT CEO and 34 members appointed by member firms and regions. The number of representatives from each firm and region is determined by the Board .

The Board is supported by the Governance Committee, which has oversight responsibility for DTT's management and focuses particularly on the major strategic issues facing DTT and its member firms. This multicultural group of senior member firm partners engages in efficient, open discussion of issues before these issues proceed to the Board. The Governance Committee comprises representatives from the 12 largest Deloitte member firms, plus the DTT CEO. Each committee member has one vote on matters considered by the committee. To avoid conflicts of interest, a member of the Governance Committee may not also serve on the Executive, except for the DTT CEO. The Board also has a number of subcommittees that coordinate and recommend action on a wide scope of financial and administrative issues within the context of the global organization.

The Board subcommittees include Risk Management, Audit and Finance, Membership Affairs, and CEO Evaluation and Compensation.

- The Risk Management Committee, chaired by Sharon Allen of Deloitte United States, performs oversight with respect to DTT management's responsibilities to establish and maintain effective risk management.
- The Audit and Finance Committee's purpose is to assist the Board of Directors in its oversight responsibility related to quality and integrity of DTT's financial reports and the adequacy and effectiveness of internal accounting and financial controls.
- The Membership Affairs Committee is chaired by Ken McKelvie of Deloitte China. The Committee performs oversight of DTT management's responsibilities to establish and enforce the rights and obligations of Deloitte member firms. The Membership Affairs Committee also reviews applicants for admission to the Verein and makes recommendations to the Board.
- The DTT Governing Documents require that the Governance Committee evaluate the DTT CEO and make a recommendation on compensation. Compensation is approved by the DTT Board. The CEO Evaluation and Compensation Committee, chaired by Amadou Raimi of Deloitte France, assists by proposing both the appropriate evaluation and level of compensation of the CEO for the Board's consideration.

Jeffrey Rohr is the DTT Chief Financial Officer, and Joseph Lambert serves as DTT General Counsel.

Litigation and insurance

The prevailing litigious environment and its spread and growth in certain parts of the world are raising the legal costs and professional insurance costs, and the risk profile, of professional services organizations, in particular those that audit public companies.

Deloitte member firms maintain professional liability insurance coverage. In the profession as a whole, insurance has become increasingly difficult to obtain in the commercial market. Each Deloitte member firm is required to purchase professional liability insurance, to the extent it is available, customary according to the laws under which the firm operates, and at a level that is believed to be appropriate for the risks associated with the services the firm provides. Notwithstanding, sufficient commercial insurance is generally unavailable and wholly insufficient to cover exposure to claims.

Although Deloitte member firms have been able to effectively manage around these risks to date, for the profession in general, the risk of a catastrophic liability award, or a series of material settlements against a member firm of a global audit network, has increased to such a level to constitute a real obstacle to the sustained economic health of the accounting profession.

While Deloitte member firms have managed these risks without affecting service levels or focus on quality, the current situation is not conducive to a healthy and sustainable auditing profession. Mechanisms to limit catastrophic and persistent material liability are vital steps to securing long-run sustainability.

Leadership
The DTT Executive

Below
Left to right: Alan N. MacGibbon, CEO, Deloitte Canada; Martin J. A. Eadon, COO, Deloitte United Kingdom; Frank Vettese, DTT Managing Partner, Financial Advisory; Dora Liu, Deloitte China, Young Partners Advisory Council; Ryoji Sato, CEO, Deloitte Japan; Stephen Almond, DTT Managing Partner, Clients; Roger Dassen, CEO, Deloitte Netherlands; Jean-Paul Picard, CEO, Deloitte France; Ainar Aijala, DTT Managing Partner, Consulting

Above, pages 64 and 65
Left to right: Manoj Singh, DTT Managing Partner, Operations; Prof. Dr. Wolfgang Grewe, CEO, Deloitte Germany; Barry Salzberg, CEO, Deloitte United States; Ludo De Keulenaer, DTT Managing Partner, Brand, and CEO, Deloitte Belgium; Alberto Terol, DTT Managing Partner, Tax; Alain Pons, DTT Managing Partner, Audit; James H. Quigley, DTT CEO; Chaly Mah, Asia Pacific Regional Managing Partner; Jerry P. Leamon, DTT Managing Partner, Services; Jeffrey K. Willemain, DTT Managing Partner, Regulatory and Risk; Vassi Naidoo, DTT Managing Partner, Talent

DTT Board of Directors

Left to right: Udayan Sen, Asia Pacific; Carlos González, Spain; Wladek Szwoch, Europe/Middle East/Africa; Omar Fahoum, Europe/Middle East/Africa; Sabri Challah, United Kingdom; Barry Salzberg, United States; Sanford A. Cockrell III, United States; Frank Ford, Australia; James H. Quigley, DTT Chief Executive Officer

Left to right: Felix Wurm, Germany; Bradley M. Seltzer, United States; Sharon Fraser, United Kingdom; John P. Connolly, DTT Chairman; Brian L. Derksen, United States; Alan N. MacGibbon, Canada; Grant Gelink, South Africa; Tom Maloney, United States; Erik Jørgensen, Denmark

Left to right: David J. O. Cruickshank, United Kingdom; Sharon L. Allen, United States; Kuniaki Hara, Japan; Andrew G. McMaster, Jr., United States; Yoichiro Ogawa, Japan; Amadou Raimi, DTT Vice Chairman; John H. Bowey, Canada; Jean-Paul Picard, France; Kenneth E. McKelvie, China

Left to right: Ernesto González, Mexico; Roberto Tentori, Italy; Jan Dalhuisen, Netherlands; Carol J. Lindstrom, United States; Chaly Mah, Asia Pacific; Hendrik Descheemaeker, Belgium; William C. Freda, United States; Carlos Haehnel, LATCO

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Contact us
Global Corporate Reputation
globalcorporatereputation@deloitte.com

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